

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

**AUDIT COMMITTEE MEETING
April 5, 2023
9:30 A.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>https://ocers.zoom.us/j/89257757386</p> <p>Meeting ID: 892 5775 7386 Passcode: 926808</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: 892 5775 7386 Passcode: 926808</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.

CALL MEETING TO ORDER AND ROLL CALL

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. **Persons wishing to provide public comment at this time should fill out a speaker card located on the counter at the back of the room and deposit it in the Recording Secretary's inbox on the wall near the middle of the room.** 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 AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

February 14, 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.**

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

A-2 THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY EMPLOYER AUDIT

Presentation by Mark Adviento, Senior Internal Auditor

Recommendation: Receive and file.

A-3 THE ORANGE COUNTY SUPERIOR COURT EMPLOYER AUDIT

Presentation by Mark Adviento, Senior Internal Auditor

Recommendation: Receive and file

A-4 AUDIT OF ALAMEDA BENEFIT RECALCULATIONS

Presentation by David Kim, Director of Internal Audit

Recommendations:

1. Receive and file; and
2. Provide direction as to sample size for further testing:
 - a. test the remaining 36 recalculations as initially planned; or
 - b. modify the sample size accordingly

A-5 TRIENNIAL REVIEW OF THE ETHICS, COMPLIANCE AND FRAUD HOTLINE POLICY

Presentation by David Kim, Director of Internal Audit

Recommendation: Approve and recommend that the Board approve the revisions to the Ethics, Compliance and Fraud Hotline Policy.

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; Suzanne Jenike, Asst. CEO; Gina M. Ratto, General Counsel; and David Kim, Director of Internal Audit.*

Recommendation: Take appropriate action.

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

INFORMATION ITEM

I-1 2022 FINANCIAL STATEMENT AUDIT – ENTRANCE CONFERENCE

Presentation by Kory Hoggan and Aaron Hamilton, Moss Adams

WRITTEN REPORTS

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

R-1 MANAGEMENT ACTION PLAN VERIFICATION REPORT

Written Report

R-2 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

**April 17, 2023
8:30 A.M.**

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

REGULAR BOARD MEETING

**April 17, 2023
9:30 A.M.**

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

INVESTMENT COMMITTEE MEETING

**April 19, 2023
9:00 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
February 14, 2023
9:30 A.M.**

MINUTES

OPEN SESSION

Chair Oates called the meeting to order at 9:36 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present: Richard Oates, Chair; Charles Packard, Vice Chair; Adele Tagaloa; Shari Freidenrich

Also Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO, External Operations; Brenda Shott, Assistant CEO, Internal Operations; Gina Ratto, General Counsel; 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; Marielle Horst, Recording Secretary; Anthony Beltran, Audio Visual Technician

Guests: Graham Schmidt, Cheiron; Anne Harper, Cheiron; Andy Yeung, Segal; and Todd Tauzer, Segal

PUBLIC COMMENT

None.

C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

December 15, 2022

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

The motion passed **unanimously**.

C-2 REQUEST FOR PROPOSAL – EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

Orange County Employees Retirement System
February 14, 2023
Audit Committee Meeting

Recommendation: Staff request the Audit Committee approve the distribution of a Request for Proposal to initiate a search for an external quality assessment of the Internal Audit Department.

Discussion: Madam Treasurer Freidenrich brought up a number of suggestions for possible inclusion or modifications to this and similar future RFPs. Staff will consider the suggestions and issue the RFP.

MOTION by Mr. Packard, **seconded** by Ms. Freidenrich, to adopt staff's recommendation.

The motion passed **unanimously.**

A-2 ACTUARIAL AUDIT OF OCERS'S 2021 ACTUARIAL VALUATION AND 2019 ACTUARIAL EXPERIENCE STUDY

Presentation by Graham Schmidt and Anne Harper, Cheiron

Recommendation: Receive and file.

Discussion: Chair Oates thanked the representatives from Cheiron and Segal for their work on the Actuarial Valuation and Experience study.

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

The motion passed **unanimously.**

The Board recessed for break at 10:53 a.m.

The Board reconvened from break at 11:05 a.m.

A-3 THE TRANSPORTATION CORRIDOR AGENCIES EMPLOYER AUDIT

Presentation by Mark Adviento, Senior Internal Auditor

Recommendation: Receive and file.

Discussion: Madam Treasurer Freidenrich provided positive feedback on the new audit report format and thanked the Chair for making the changes to the report format.

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

The motion passed **unanimously.**

A-4 TRIENNIAL REVIEW OF THE OPERATIONAL RISK POLICY

Presentation by Brenda Shott, Assistant CEO, Internal Operations

Recommendation: Approve and recommend that the Board approve the Operational Risk Policy.

Orange County Employees Retirement System
February 14, 2023
Audit Committee Meeting

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

The motion passed **unanimously**.

A-5 TRIENNIAL REVIEW OF OCERS'S AUDIT COMMITTEE CHARTER

Presentation by David Kim, Director of Internal Audit

Recommendation: Approve, and recommend that the Board approve, revisions to the Audit Committee Charter.

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

The motion passed **unanimously**.

A-6 TRIENNIAL REVIEW OF OCERS'S INTERNAL AUDIT CHARTER

Presentation by David Kim, Director of Internal Audit

Recommendation: Approve, and recommend that the Board approve, revisions to the Internal Audit Charter.

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

The motion passed **unanimously**.

A-7 AUDIT OF INFORMATION TECHNOLOGY AUTOMATED CONTROLS

Presentation by David Kim, Director of Internal Audit

Recommendation: Receive and file

MOTION by Ms. Freidenrich, **SECONDED** by Ms. Tagaloa to adopt staff's recommendation.

The motion passed **unanimously**.

The Board recessed for break at 11:32 a.m.

The Board reconvened from break at 11:37 a.m.

CLOSED SESSION ITEMS

Adjourned to closed session at 11:37 a.m.

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

Orange County Employees Retirement System
February 14, 2023
Audit Committee Meeting

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.

Returned to open session at 12:21 p.m.

No reportable action taken.

WRITTEN REPORTS

R-1 OPERATIONAL RISK MANAGEMENT ANNUAL REPORT

Written Report

R-2 MANAGEMENT ACTION PLAN VERIFICATION REPORT

Written Report

R-3 STATUS UPDATE OF 2023 AUDIT PLAN

Written Report

COMMITTEE MEMBER COMMENTS

None

STAFF COMMENTS

None

CHIEF EXECUTIVE OFFICER

None

COUNSEL COMMENTS

None

ADJOURNMENT

Chair Oates adjourned the meeting at 12:23 p.m.

Orange County Employees Retirement System
February 14, 2023
Audit Committee Meeting

Submitted by:

Submitted by:

Approved by:

David Kim
Committee Liaison

Steve Delaney
Secretary to the Board

Richard Oates
Chair



Memorandum

DATE: April 5, 2023
TO: Members of the Audit Committee
FROM: D. Kim, Director of Internal Audit
SUBJECT: **AUDIT REPORT – THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY EMPLOYER AUDIT**

Recommendation

Receive and file.

Background/Discussion

As per the 2023 Audit Plan, Internal Audit performed an employer audit of the Children and Families Commission of Orange County.

There were three observations identified in this audit:

1. Four members previously separated from CFCOC were still classified with Active Status in the pension administration system (PAS).
2. One member did not have a Member Affidavit on file in the PAS and five additional Member Affidavits were sent to OCERS with missing information.
3. There are no formal internal guidelines helping to monitor independent contractors for compliance with IRS regulations defining independent contractors.

Submitted by:



DK - Approved

David Kim
Director of Internal Auditor



**Children and Families Commission of Orange
County Employer Audit**

Report Date: April 5, 2023

Internal Audit Department

OCERS Internal Audit
Children and Families Commission of Orange County Employer Audit
April 5, 2023

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Audit Objective and Scope

The objective of this audit was to provide an independent review of the completeness and accuracy of the Children and Families Commission of Orange County (CFCOC) payroll transmittal data. This includes, but is not limited to, the controls CFCOC and OCERS management have in place over the payroll transmittals.

The scope of the audit included CFCOC’s payroll data submitted to OCERS between January 2021 and December 2022 on a sample basis.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.

Conclusion / Executive Summary

Opinion: *Opportunities for Improvement*

Overall, Internal Audit identified opportunities to improve controls to ensure that payroll data is sent accurately and completely to OCERS. For further detail of the below observations please see page three.

<p>Priority Observations</p> <div style="border: 1px solid black; background-color: #4a7ebb; color: white; text-align: center; width: 40px; height: 40px; margin: 5px auto; display: flex; align-items: center; justify-content: center;">0</div> <p>Important Observations</p> <div style="border: 1px solid black; background-color: #4a7ebb; color: white; text-align: center; width: 40px; height: 40px; margin: 5px auto; display: flex; align-items: center; justify-content: center;">3</div>	<p>Priority Observations</p> <p>None</p> <p>Important Observations</p> <ol style="list-style-type: none"> 1. Four members previously separated from CFCOC were still classified with Active Status in the pension administration system (PAS). 2. One member did not have a Member Affidavit on file in the PAS and five additional Member Affidavits were sent to OCERS with missing information. 3. There are no formal internal guidelines helping to monitor independent contractors for compliance with IRS regulations defining independent contractors.
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Internal Audit sampled 45 payroll transactions from CFCOC’s approximately 800 payroll transactions during our audit scope:

- Internal Audit reviewed, on a sample basis, CFCOC’s supporting documentation for the pensionable pay reported in its payroll transmittals to OCERS.
- Verified that base pay reported by CFCOC through payroll transmittals matched CFCOC human resource records and publicly available pay schedules for completeness and accuracy.

- For premium pay items, verified the information reported in the transmittals against CFCOC's supporting documentation evidencing that the employee was entitled to that premium pay, such as certification pay.
- Recalculated contributions collected from CFCOC to ensure that contributions were paid according to Segal contribution rates as approved by the OCERS' Board.
- Reconciled CFCOC employee count from The County of Orange payroll system against OCERS annual actuarial extract of members.
- Reviewed Member Affidavits for completeness.
- Reviewed CFCOC's controls in place to ensure its compliance with OCERS' Board Membership Eligibility Policy.

Background

CFCOC was established by the Orange County Board of Supervisors in September 1999 following the passage of Proposition 10, through which California voters made an investment in early childhood development. The Commission's activities have been built to develop, adopt, promote and implement programs to support early childhood development. CFCOC and its employees contributed approximately \$321,000 and \$338,000 to OCERS for the years ended December 31, 2021, and December 31, 2022, respectively. It has 17 current active members. CFCOC is one of OCERS employers that outsources its OCERS payroll transmittal process to The County of Orange Auditor-Controller's Office.

Copies to OCERS:

S. Delaney	J. Lamberson
S. Jenike	S. Ardeleanu
M. Murphy	Audit Committee Members
G. Ratto	
B. Shott	

Copies to Employer:

M. Garcell – Director of Finance
K. Goll – President/CEO
N. Preciado – Financial Analyst

Observations	Action Plan / Responsible Party / Completion Date
<p>Important Observations</p>	
<p>1. Four members previously separated from CFCOC were still classified with Active Status in the pension administration system (PAS).</p> <p>During our test work, Internal Audit noted that four members who had separated between June 2020 and March 2022 were instead reported with an Active status in the PAS as of January 2023.</p> <p>In these instances, the employer did not submit a termination notice form to OCERS; this form officially notifies OCERS of a member's separation date. Member Services uses this form to manually update the member's status from Active to either Deferred or Retired.</p> <p>Per CFCOC management, they had thought a notification to The County of Orange Auditor Controller's office was all that was required to notify OCERS of a separated member. CFCOC had not known that a termination form submitted to OCERS was also needed of CFCOC.</p> <p>Risk: Incorrect member status would be included in the annual PAS extract of member data provided to OCERS actuary for use in the annual actuarial valuation.</p>	<p>Action Plan: The CFCOC Assistant to CEO will add the required termination form to the off-boarding process when an employee terminates. Once completed, the CFCOC Director of Finance will review for accuracy and submit to OCERS.</p> <p>Responsible Parties: Rhonda Esera (CFCOC Assistant to CEO) & Michael Garcell (CFCOC Director of Finance)</p> <p>Completion Date: 3/1/2023</p>

Observations	Action Plan / Responsible Party / Completion Date
<p>2. One member did not have a Member Affidavit on file in the PAS and five additional Member Affidavits were sent to OCERS with missing information.</p> <p>One member did not have a Member Affidavit on file within the PAS. The member with a missing Member Affidavit was hired in February 2015 and separated from CFCOC in March 2022 with 7 years of service.</p> <p>Member Affidavits for five members were incomplete in terms of previous public service disclosure, a witness signature, or employment information required of the employers. The five Member Affidavits with missing information were for currently active members who joined CFCOC in 2013 (1), 2017 (2), and 2020 (2).</p> <p>Per §31526 of the CERL (County Employee Retirement Law), <i>“The filing of a sworn statement by every person who is or becomes a member, showing date of birth, nature and duration of employment with the county, compensation received, and other information as is required by the board.”</i></p> <p>Risk: There is no official record of the member joining the OCERS plan if a sworn Member Affidavit is not on file. Incomplete member affidavits could have affected a member’s ability to establish reciprocity benefits and a witness signature provided by the employer is needed to help independently validate the member’s identity for OCERS.</p>	<p>Action Plan: All future Member Affidavit forms will be reviewed for accuracy and completeness by the CFCOC Assistant to CEO at time of onboarding new staff. A final review of the form will be performed by CFCOC Director of Finance before being submitted to OCERS.</p> <p>CFCOC will either amend or correct affidavits currently on file that are incomplete depending on direction from OCERS.</p> <p>Responsible Parties: Michael Garcell (CFCOC Director of Finance), Nicole Preciado (CFCOC Financial Analyst)</p> <p>Completion Date: by 3/31/2023</p>

Observations	Action Plan / Responsible Party / Completion Date
<p>3. There are no formal internal guidelines helping to monitor independent contractors for compliance with IRS regulations defining independent contractors.</p> <p>CFCOC currently uses eighteen (18) independent contractors to help facilitate their business plan of implementing programs to support early childhood development. While each contract is reviewed by the CFCOC Legal department, processes are not in place for management to ensure IRS regulations are maintained.</p> <p>Per IRS regulations, independent contractors must remain wholly responsible for the manner in which it performs the services required by CFCOC. Furthermore, CFCOC shall neither have nor exercise any control or direction over the methods by which the independent contractor shall perform its work.</p> <p>Risk: Independent contractors who no longer meet IRS guidelines, could be classified as members who meet OCERS membership guidelines. This would subject CFCOC to employment back taxes payable to taxing authorities and a potentially large contribution dollar amount owed by both the member and employer, plus interest.</p>	<p>Action Plan: CFCOC staff will work with Commission Counsel and develop internal guidelines.</p> <p>Responsible Parties: Michael Garcell (CFCOC Director of Finance), Jennifer Berthon (CFCOC Contract Admin), & Commission Counsel.</p> <p>Completion Date: April 30, 2023</p>

Categories of Observations (Control Exceptions):

Priority Observations:

These are observation(s) that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise OCERS' reputation or integrity. Management is expected to address Priority Observations brought to its attention immediately.

Important Observations:

These items are important to the process owner and they do impact the control environment and/or could be observations for improving the efficiency and/or effectiveness of OCERS' operations. Management is expected to address within six to twelve months.

Management's Responsibility for Internal Control

Management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls. Control systems shall be continuously evaluated by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure are the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our Internal Control Audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and self-assessment of control risks.

Internal Control Limitations

Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with OCERS' policies.

Audit Report Opinions:

Satisfactory:

No issues or a limited number of “Important Observations” (typically no more than two Important Observations).

Opportunities for Improvement:

Multiple issues classified as “Important Observations” (typically two or more Important Observations) with no more than one “Priority Observation”.

Inadequate:

Usually rendered when multiple issues are classified as “Priority” (typically one or more Priority Observations), together with one or more other issues classified as “Important Observations”. The Priority Observations identified have a major effect on processes, plan sponsors/members, financials, and/or regulatory requirements.



Memorandum

DATE: April 5, 2023
TO: Members of the Audit Committee
FROM: D. Kim, Director of Internal Audit
SUBJECT: **AUDIT REPORT – THE ORANGE COUNTY SUPERIOR COURT EMPLOYER AUDIT**

Recommendation

Receive and file.

Background/Discussion

As per the 2023 Audit Plan, Internal Audit performed an employer audit of the Orange County Superior Court.

There were two observations identified in this audit:

1. Thirteen members previously separated from Superior Court were still classified with Active Status in the pension administration system (PAS).
2. Two members did not have a Member Affidavit on file in the PAS and five additional Member Affidavits were sent to OCERS with either missing information or on an outdated form.

Submitted by:



DK - Approved

David Kim
Director of Internal Auditor



**Orange County Superior Court
Employer Audit**

Report Date: April 5, 2023

Internal Audit Department

OCERS Internal Audit
Orange County Superior Court Employer Audit
April 5, 2023

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Audit Objective and Scope

The objective of this audit was to provide an independent review of the completeness and accuracy of Orange County Superior Court (Superior Court) payroll transmittal data. This includes, but is not limited to, the controls Superior Court and OCERS management have in place over the payroll transmittals.

The scope of the audit included Superior Court’s payroll data submitted to OCERS between January 2021 and December 2022 on a sample basis.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.

Conclusion / Executive Summary

Opinion: *Opportunities for Improvement*

Overall, Internal Audit identified opportunities to improve controls to ensure that payroll data is sent accurately and completely to OCERS. For further detail of the below observations please see page four.

<p>Priority Observations</p> <div style="background-color: #4a7ebb; color: white; text-align: center; width: 40px; height: 40px; margin: 10px auto; border-radius: 5px; display: flex; align-items: center; justify-content: center;">0</div> <p>Important Observations</p> <div style="background-color: #4a7ebb; color: white; text-align: center; width: 40px; height: 40px; margin: 10px auto; border-radius: 5px; display: flex; align-items: center; justify-content: center;">2</div>	<p>Priority Observations</p> <p>None</p> <p>Important Observations</p> <ol style="list-style-type: none"> 1. Thirteen members previously separated from Superior Court were still classified with Active Status in the pension administration system (PAS). 2. Two members did not have a Member Affidavit on file in the PAS and five additional Member Affidavits were sent to OCERS with either missing information or on an outdated form.
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Internal Audit sampled 60 payroll transactions from Superior Court’s approximately 73,000 payroll transactions during our audit scope:

- Internal Audit reviewed, on a sample basis, Superior Court’s supporting documentation for the pensionable pay reported in its payroll transmittals to OCERS.

- Verified that base pay reported by Superior Court through payroll transmittals matched Superior Court human resource records and publicly available pay schedules for completeness and accuracy.
- For premium pay items, verified the information reported in the transmittals against Superior Court's supporting documentation evidencing that the employee was entitled to that premium pay, such as certification pay.
- Recalculated contributions collected from Superior Court to ensure that contributions were paid according to Segal contribution rates as approved by the OCERS' Board.
- Reconciled Superior Court employee headcount from The County of Orange payroll system against OCERS annual actuarial extract of members.
- Reviewed Member Affidavits for completeness.
- Reviewed Superior Court's controls in place to ensure its compliance with OCERS' Board Membership Eligibility Policy.

Background

Superior Court is one of OCERS' five largest Employers. Based on the number of authorized judicial officers, the Superior Court is the third largest of the 58 county courts in California. The County of Orange mostly funded the Orange County Superior Court until January 1998 when it transitioned to being funded by the State of California. In 2004, the Court became an Employer with OCERS.

Superior Court and its employees contributed approximately \$52.9 million and \$56.3 million to OCERS for the years ended December 31, 2021, and December 31, 2022, respectively. It has over 1,400 current active members. Superior Court is one of OCERS employers that outsources its OCERS payroll transmittal process to The County of Orange Auditor-Controller's Office.

Copies to OCERS:

S. Delaney	J. Lamberson
S. Jenike	S. Ardeleanu
M. Murphy	Audit Committee Members
G. Ratto	
B. Shott	

Copies to Employer:

D. Yamasaki, Chief Executive Officer
 D. Dang, Chief Financial & Administrative Officer
 S. Mays-Fontaine, Chief Human Resources Officer

H. Capps, Benefits & Disability Programs Officer
B. Drinkward, HR Information Management Officer
C. Lombardo, Accounting & Fiscal Services Director

Observations	Action Plan / Responsible Party / Completion Date
<p>Important Observations</p>	
<p>1. Thirteen members previously separated from Superior Court were still classified with Active Status in the pension administration system (PAS).</p> <p>During our test work, Internal Audit noted that thirteen members who had separated between November 2018 and November 2021 were instead reported on transmittal files with an Active status in the PAS as of January 2023.</p> <p>Upon review of the member accounts in V3, we did not see a termination notice form on file with OCERS; this form officially notifies OCERS of a member's separation date. Member Services uses this form to manually update the employee's status from Active to either Deferred or Retired.</p> <p>Per Superior Court management, they believe the termination forms had been sent to OCERS via email, but due to both Superior Court's and OCERS email record retention policies, these emails no longer exist for IA to verify.</p> <p>Risk: Incorrect member status would be included in the annual PAS extract of member data provided to OCERS actuary for use in the annual actuarial valuation.</p>	<p>Action Plan: OC Superior Court to send existing records of OCERS Termination Notices to aaa@ocers.org for all 13 members indicating the separation dates.</p> <p>Responsible Party: Bryan Drinkward, OC Superior Court HR Information Management Officer</p> <p>Completion Date: 2/17/2023. OCERS confirmed receipt of all termination notices on 2/22/23.</p>

Observations	Action Plan / Responsible Party / Completion Date
<p>3. Two members did not have a Member Affidavit on file in the PAS and five additional Member Affidavits were sent to OCERS with either missing information or on an outdated form.</p> <p>Member Affidavits were:</p> <ul style="list-style-type: none"> not received for two members were sent with missing information for three members were sent on an outdated form for two members <p>Two members did not have a Member Affidavit on file within the PAS. One member was hired in May 2022 and is currently Active with 0.7 years of service. The second member was hired in November 2021 and later transferred to The County of Orange.</p> <p>Member Affidavits for three members were incomplete in terms of the previous California public service disclosure section. The three members are currently active and joined Superior Court in 1999, 2000, and 2007.</p> <p>In addition, Member Affidavits for two employees hired in December 2021 and July 2022 were an outdated form of the Member Affidavit. The updated form was revised by OCERS in November 2021, in part to obtain positive confirmation of previous public service.</p> <p>Per §31526 of the CERL (County Employee Retirement Law), <i>“The filing of a sworn statement by every person who</i></p>	<p>Action Plan: The Court will complete the following:</p> <ul style="list-style-type: none"> Send the two OCERS Member Affidavits that are missing from OCERS Records to employerpayroll@ocers.org OCERS Member Services instructed the Court to obtain emails from the three members with missing information answering the following: <i>“Are you a member of any other public retirement system in the state of California? If yes, please list other public retirement systems along with dates of service.</i> <p><i>If no please respond to confirm you do not have any other public service in California”</i></p> <p>Emails to be sent by the Court HR to the employees to obtain their responses</p> <ul style="list-style-type: none"> OCERS Member Services instructed the Court to obtain emails from the two members with outdated forms answering the following: <i>“Are you a member of any other public retirement system in the state of California? If yes, please list other public retirement systems along with dates of service.</i> <p><i>If no please respond to confirm you do not have any other public service in California”</i></p> <p>Emails to be sent by the Court HR to the employees to obtain their responses</p> <p>Responsible Party: Bryan Drinkward, OC Superior Court HR Information Management Officer</p>

Observations	Action Plan / Responsible Party / Completion Date
<p><i>is or becomes a member, showing date of birth, nature and duration of employment with the county, compensation received, and other information as is required by the board.”</i></p> <p>Risk: There is no official record of the member joining the OCERS plan if a sworn Member Affidavit is not on file. Incomplete member affidavits could have affected a member’s ability to establish reciprocity benefits.</p>	<p>Completion Date:</p> <ul style="list-style-type: none"> • Two missing OCERS Member Affidavits were sent to employerpayroll@ocers.org. One was sent 3/1/23, the other 3/13/23. • Email responses for the three members with missing information on the OCERS Member affidavit were sent to OCERS Member Services on 3/14/23 and OCERS confirmed receipt on 3/14/23. • Email responses for the two members with outdated OCERS Member affidavit were sent to OCERS Member Services on 3/14/23 and OCERS confirmed receipt on 3/14/23.

Categories of Observations (Control Exceptions):

Priority Observations:

These are observation(s) that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise OCERS' reputation or integrity. Management is expected to address Priority Observations brought to its attention immediately.

Important Observations:

These items are important to the process owner and they do impact the control environment and/or could be observations for improving the efficiency and/or effectiveness of OCERS' operations. Management is expected to address within six to twelve months.

Management's Responsibility for Internal Control

Management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls. Control systems shall be continuously evaluated by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure are the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our Internal Control Audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and self-assessment of control risks.

Internal Control Limitations

Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with OCERS' policies.

Audit Report Opinions:

Satisfactory:

No issues or a limited number of “Important Observations” (typically no more than two Important Observations).

Opportunities for Improvement:

Multiple issues classified as “Important Observations” (typically two or more Important Observations) with no more than one “Priority Observation”.

Inadequate:

Usually rendered when multiple issues are classified as “Priority” (typically one or more Priority Observations), together with one or more other issues classified as “Important Observations”. The Priority Observations identified have a major effect on processes, plan sponsors/members, financials, and/or regulatory requirements.



Memorandum

DATE: April 5, 2023
TO: Members of the Audit Committee
FROM: D. Kim, Director of Internal Audit
SUBJECT: **AUDIT REPORT – AUDIT OF ALAMEDA BENEFIT RECALCULATIONS**

Recommendations

1. Receive and file; and
2. Provide direction as to sample size for further testing:
 - a. test the remaining 36 recalculations as initially planned; or
 - b. modify the sample size accordingly.

Background/Discussion

The OCERS Audit Committee directed Internal Audit to review the Alameda recalculations on a sample basis. The directed audit approach was to sample a total of 66 FAS recalculations, approximately 10% of the 662 total recalculations. The Audit Committee directed Internal Audit to split the sample of 66 by first testing the recalculations of the 30 retirees with the highest impacted change and present the results to the Audit Committee before proceeding further with testing. The Audit Committee would then provide further direction on selecting sample size to provide assurances to the Audit Committee that management controls over the Alameda recalculations were operating effectively. The additional direction for Internal Audit is to either continue testing the remaining 36 samples or increase the sample size.

There were three important observations identified in this initial audit of Alameda recalculations:

1. A 6.7% error rate (two error out of the sample of 30) with the FAS calculations sampled.
2. A 13.3% error rate (four errors out of the sample of 30) with the manual allocation of the total overpaid benefits to be recovered between the retiree and the employer (Not FAS Impacting).
3. For one retiree in our sample, three pay items in one partial pay period were not prorated in a consistent manner.

Submitted by:



DK - Approved

David Kim
Director of Internal Auditor



Audit of Alameda Benefit Recalculations

Report Date: April 5, 2023

Internal Audit Department

OCERS Internal Audit
Audit of Alameda Benefit Recalculations
April 5, 2023

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Audit Objective and Scope

The objective of this audit was to provide an independent review of Final Average Salary (FAS) calculations recalculated by OCERS’ Member Services because of the Board of Retirement’s adoption of the Alameda Supreme Court decision.

Internal Audit reviewed the FAS calculations for the 30 retirees whose original benefit payments were most impacted by the Alameda Supreme Court decision.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.

Conclusion / Executive Summary

Opinion: *Opportunities for Improvement*

Overall, Internal Audit identified opportunities to improve controls to ensure that Alameda related FAS calculations are reliable and accurate. For further detail of the below observations please see page four.

<p>Priority Observations</p> <div style="border: 1px solid blue; background-color: #4a7ebb; color: white; text-align: center; width: 40px; height: 40px; margin: 5px auto; display: flex; align-items: center; justify-content: center;">0</div> <p>Important Observations</p> <div style="border: 1px solid blue; background-color: #4a7ebb; color: white; text-align: center; width: 40px; height: 40px; margin: 5px auto; display: flex; align-items: center; justify-content: center;">3</div>	<p>Priority Observations</p> <p>None</p> <p>Important Observations</p> <ol style="list-style-type: none"> 1. Internal Audit noted a 6.7% error rate (two errors out of the sample of 30) with the FAS calculations sampled. 2. Internal Audit noted a 13.3% error rate (four errors out of the sample of 30) with the manual allocation of the total overpaid benefits to be recovered between the retiree and the employer (Not FAS Impacting). 3. For one retiree in our sample, three pay items in one partial pay period were not prorated in a consistent manner.
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Internal Audit independently tested FAS recalculations for the 30 retirees with the largest impact to their original benefits, with a range between \$500 and \$5,500 impact to the original benefit. The following testing was performed:

- Verified that Alameda related pay items were accurately and completely removed.

- Independently reperformed FAS recalculations which included the Alameda adjustment and reviewed the documentation used by Member Services to support their calculations.
- Reviewed Member Service’s recalculation of net benefit overpayments.

Background

On July 30, 2020, the California Supreme Court issued a unanimous decision (Alameda decision) regarding the pensionable designation of certain pay items (Alameda pay items). OCERS Board later adopted this decision and directed staff to recalculate benefits for affected members and recover benefit overpayments from employers and retirees. OCERS Audit Committee also directed Internal Audit to review these recalculations on a sample basis.

OCERS has estimated that a total of \$7.3 million in benefits had been overpaid to 662 retirees. To date, OCERS Member Services has recalculated benefits for 58 retirees, with an additional 110 pending Member Services’ quality review process.

This audit of the 30 initial samples (out of the 58 retirees noted above) was carved out from a planned sample size of 66, with direction to be provided by the Audit Committee as to a sample size for further testing of the operating effectiveness of controls over Alameda recalculations. At a future Audit Committee meeting, Internal Audit will also report the results of its audit of Alameda contribution refund calculations, the recording of Alameda activity on OCERS accounting general ledger and the overall project oversight of the Alameda decision implementation.

Copies to:

S. Delaney
S. Jenike
M. Murphy
G. Ratto
B. Shott

J. Lamberson
S. Ardeleanu
J. Tallase
Audit Committee Members

Observation Details	Management Action Plan (MAP) /MAP Responsible Party / Completion Date
Important Observations	
<p>1. Internal Audit noted a 6.7% error rate (two errors out of the sample of 30) with the FAS calculations sampled.</p> <p>For one retiree, a Member Services Contractor incorrectly overstated the amount of pensionable Paid Time Off included in the retiree’s revised FAS calculation as used specifically for the Alameda recalculation. The error resulted in an overpayment of \$129.50 in the monthly benefit payment.</p> <p>For a second retiree, a Member Services Contractor incorrectly prorated a partial pay period within the retiree’s FAS measuring period. The nature of the error is comparable to the errors noted in prior FAS Calculation audits. The error resulted in an overpayment of \$13.32 in the monthly benefit payment.</p> <p>Risk: An oversight when reviewing FAS calculations can lead to errors in the monthly benefit paid to OCERS retirees.</p>	<p>Management Action Plan:</p> <p>These errors were associated to the first 30 transactions performed by external contractors. The prior 6 transactions (October and November 2022) where Member Services did not have any errors were performed by seasoned team members. From our review of these items, the contractors did not follow the documented processes and training they were provided; had the process been followed errors would not have occurred. The issue has been addressed with the contractors and they fully understand the need for following the documented process. The Member Services management team is also considering extending the payroll deadlines to allow for more time to perform the processing and QA. We believe rushing to get transactions processed before the deadline has contributed to the errors and think extending the timeline will help prevent future errors.</p> <p>Management Action Plan Responsible Party:</p> <p>Jeff Lamberson, Director of Member Services</p> <p>Completion Date: March 24,2023</p>
<p>2. Internal Audit noted a 13.3% error rate (four errors out of the sample of 30) with the manual allocation of the total overpaid benefits to be recovered between the retiree and the employer (Not FAS Impacting).</p> <p>As per Board approval, the repayment of total overpaid benefits due to the Alameda decision is to be allocated between the</p>	<p>Management Action Plan:</p> <p>These errors were on a new Excel tab specifically created for Alameda recalculations. With the Board direction to only collect overpayments from 10/1/2020 forward from the member, Member Services needed to create a manual calculation process. This tab was created so we could split the amount of the overpayment between the Member and the Employer. V3 automatically calculates the total</p>

Observation Details	Management Action Plan (MAP) /MAP Responsible Party / Completion Date
<p>employer and the retiree, with the retiree directly paying back OCERS their portion of the overpaid benefits from October 2020 to the month the benefit was recalculated and adjusted. Overpaid benefits prior to October 2020 are to be recovered from employers via the actuarial valuation process. Due to pension administration system limitations, Member Services Contractors have had to calculate the above allocation between retirees and employers via spreadsheet.</p> <p>However, due to spreadsheet data entry errors for the following retirees, there was a misallocation of the amounts due from the retiree. As a result, written notification to the retiree of their amounts owed to OCERS resulting from the Alameda decision contained incorrect dollar amounts.</p> <ul style="list-style-type: none"> • Member #1 – The allocation of the total overpayment was under-reported by \$2,925 to the retiree and the employer was over-reported for the same amount. • Member #2 - The allocation of the total overpayment was over-reported by \$403 to the retiree and the employer was under-reported for the same amount. • Member #3 - The allocation of the total overpayment was under-reported by \$27 to the retiree and the employer was over-reported for the same amount. 	<p>overpayment, however V3 cannot automate the split between Member and Employer. The data in this tab is a direct extract from members' V3 accounts and the errors occurred when the contractors entered the data manually vs extracting it from V3. In addition, the Quality Assurance (QA) team did not validate the numbers thinking they were a direct extract. Member Services management team will be modifying our controls to ensure this new data tab is calculated separately by our QA team to validate the numbers.</p> <p>Management Action Plan Responsible Party:</p> <p>Jeff Lamberson, Director of Member Services</p> <p>Completion Date:</p> <p>March 15, 2023</p>

Observation Details	Management Action Plan (MAP) /MAP Responsible Party / Completion Date
<ul style="list-style-type: none"> Member #4 - The allocation of the total overpayment was under-reported by \$20 to the retiree and the employer was over-reported for the same amount. <p>Risk: An oversight when reviewing overpayment calculations can lead to the incorrect allocation of the amount due from the retiree and the employer.</p>	
<p>3. For one retiree in our sample, three pay items in one partial pay period were not prorated in a consistent manner.</p> <p>These specific pay items should have been prorated by the employer based on 40 hours available in that pay period. The three premium pay items in one specific partial pay period were prorated as follows:</p> <ul style="list-style-type: none"> Pay item 1 was reported at the full amount and not prorated by the employer, but was manually prorated properly by Member Services based on 40 hours available in the pay period Pay item 2 was reported prorated by the employer using 50 hours (instead of 40 hours) Pay item 3 was reported prorated by the employer using 29.75 hours (instead of 40 hours) <p>We noted that if all three pay items were prorated using 40 hours, as per the Memorandum of Understanding and Final Average Salary Calculation OCERS Administrative Procedure, there would have been a benefit reduction, in this case less</p>	<p>Management Action Plan:</p> <p>Member Services followed a standing practice for this observation. OCERS current practice is to accept pay items that have already been prorated by the employer as reported in the transmittal. We will however ensure our current practice is documented in our procedure. We will also review our procedures to determine if it can be simplified even further to eliminate any manual proration of pay items passed to us from the employer.</p> <p>Management Action Plan Responsible Party:</p> <p>Jeff Lamberson, Director of Member Services</p> <p>Completion Date:</p> <p>April 15, 2023</p>

Observation Details	Management Action Plan (MAP) /MAP Responsible Party / Completion Date
<p>than \$10. As this is a process issue, there is potential for the existence of similar instances.</p> <p>Separately, as part of the employer payroll transmittal audits, Internal Audit verifies the proration of pay items submitted by the employers.</p> <p><u>Risk:</u> FAS errors may arise with inconsistencies in the application of FAS calculation procedures.</p>	

Internal Audit – Observation #1 (Alameda FAS Calculation Summary)

Sample	Nature of FAS Error	Monthly FAS Error	Monthly Benefit Payment Error
1	<u>Alameda adjustment - Manual</u> The Member Services contractor did not manually remove the original amount of pensionable PTO (\$6,258) from the FAS calculation when inputting the revised amount of pensionable PTO. This resulted in an overstated FAS calculation.	Original monthly FAS of \$20,426.00 overstated by \$173.83.	Original monthly benefit of \$15,216.05 overpaid by \$129.50.
2	<u>Excel calculation error</u> The Member Services contractor incorrectly prorated a partial-pay period using 32 hours of pay instead of 16 hours. This resulted in an overstated FAS calculation.	Original monthly FAS of \$12,030.78 overstated by \$29.11.	Original monthly benefit of \$5,501.56 overpaid by \$13.32.

Categories of Observations (Control Exceptions):

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Memorandum

DATE: April 5, 2023
TO: Members of the Audit Committee
FROM: David Kim, Director of Internal Audit
SUBJECT: **TRIENNIAL REVIEW OF THE ETHICS, COMPLIANCE AND FRAUD HOTLINE POLICY**

Recommendation

Approve and recommend that the Board of Retirement adopt the proposed revisions to the Ethics, Compliance and Fraud Hotline Policy as presented.

Background/Discussion

The Board of Retirement has formally adopted multiple policies and charters and has established a review schedule that requires review of every policy and charter every three years. The Ethics, Compliance and Fraud Hotline Policy (Policy) was adopted by the Board on June 6, 2013 and was last reviewed and revised on May 18, 2020. It will be scheduled for review and approval by the Board, after review by the Audit Committee.

Proposed Revisions

In addition to formatting updates, Internal Audit recommends the following revisions to the Audit Committee Charter:

- Item 7 - Update the title from Manager of Administrative Services to Director of Human Resources.
- Item 10 - Include General Counsel to the communication of any illegal acts reported to the hotline.

A copy of the Policy with the proposed changes indicated in underlined/strikeout is attached.

Attachment



DK - Approved

David Kim
Director of Internal Auditor



OCERS Board Policy

Ethics, Compliance, and Fraud Hotline

Purpose and Background

1. The OCERS Ethics, Compliance, and Fraud Hotline (the Hotline) was established ~~in October 2012~~ to aid management in the detection of activities that are unethical, fraudulent, or not in compliance with ~~OCERS' policies~~ ~~the policies of OCERS~~. The Hotline facilitates anonymous reporting by employees, contractors, members, and the general public to report concerns about potential misconduct or inappropriate activities, including but not limited to, harassment, conflict of interest, violation of policy, fraud, and waste of resources.
 - ~~2.~~~~a.~~ The Hotline ~~helps assists in~~ ~~reinforcin~~ ~~ges~~ OCERS' efforts to ensure transparency, accountability, fairness, and integrity in the workplace.

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Policy Objectives

- ~~3.~~~~2.~~ The purpose of this document is to establish a policy for conducting an investigation when a report of potential misconduct or inappropriate activity is made through the Hotline, and for assigning responsibility for taking appropriate actions as a result of the investigation. Workplace complaints against members of the Board or OCERS executive staff are not covered under this policy. Workplace complaints are instead handled under the Protocol for Handling Workplace Complaints Against Board Members and Executives Policy.

Policy Guidelines

- ~~4.~~~~3.~~ OCERS management is responsible for the implementation of procedures and controls designed to prevent and detect fraud, misappropriations, deception, wrongdoing, and other inappropriate conduct. Fraud is defined by the Association of Certified Fraud Examiners as a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment. Fraud can include conflict of interest, theft, or breach of fiduciary duty. Each member of the OCERS management team must be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.
- ~~5.~~~~4.~~ All allegations of potential misconduct or inappropriate activity raised by any source will be taken seriously and properly investigated. Retaliation against anyone who reports suspected misconduct or inappropriate activity will not be tolerated.
- ~~6.~~~~5.~~ OCERS Director of Internal Audit will be responsible for conducting an investigation as a result of a report being filed on the Hotline. The investigation will be conducted without regard to the alleged wrongdoer's length of service, position, title, or relationship with OCERS.
- ~~7.~~~~6.~~ If an accusation is made against the Director of Internal Audit, then the Director of Internal Audit or ~~a member of the Internal Audit~~ ~~or department~~ ~~team~~, as appropriate, will inform the Chief Executive Officer, who will then be responsible for directing an investigation.
- ~~8.~~~~7.~~ Depending on the nature of the complaint, some investigations regarding human resources matters such as matters related to performance appraisals or harassment may be turned over to



OCERS Board Policy Ethics, Compliance, and Fraud Hotline

the ~~Director~~ ~~Manager~~ of ~~Administrative Services~~ ~~Human Resources~~. Internal Audit may also seek the assistance of Legal or other informed parties in conducting an investigation.

~~9-8.~~ Except as provided in Section 10, below, the Chief Executive Officer will make the final determination regarding action to be taken upon completion of the investigation.

~~10-9.~~ The Audit Committee or Chair of the Audit Committee will make the final determination regarding action to be taken upon completion of the investigation where:

- a. the accusation is against a member of OCERS Senior Executive management;
- b. the results of an investigation indicate criminal acts have occurred; or
- c. there are high-level policy implications resulting from an investigation.

~~11-10.~~ If a report to the hotline indicates that illegal acts may have been committed, Internal Audit will refer those reports to General Counsel and the appropriate law enforcement agency or the district attorney. If a report to the hotline indicates that a violation of the Political Reform Act has occurred, such as a conflict of interest, illegal acceptance of gifts or honorarium, or restrictions on activities of former investment officials, then Internal Audit will refer the report to the California Fair Political Practices Commission (FPPC).

~~12-11.~~ The final outcome of all investigations will be reviewed with the Chair of the Audit Committee and a summary will be submitted to the Audit Committee unless deemed confidential by the Director of Internal Audit in consultation with the Chief Executive Officer, the Chair of the Audit Committee and Legal Counsel.

~~13-12.~~ The identities of the complainant and the subject of the complaint will remain confidential to the fullest extent possible, consistent with the law and customary practice.

Policy Review and History

~~13.~~ This policy will be reviewed every three years.

~~14. The Board adopted this policy on June 06, 2013, and amended on January 1, 2017, and May 18, 2020 and April X, 2023.~~

Policy History

~~15. The Board adopted this policy on June 06, 2013, and amended on January 1, 2017 and May 18, 2020.~~

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Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.

~~45/18XX/20230~~

Ethics, Compliance, and Fraud Hotline
Adopted Date: June 6, 2013
Last Revised Date: ~~April/May XX18~~, 20230



OCERS Board Policy
Ethics, Compliance, and Fraud
Hotline

Steve Delaney
Secretary of the Board

Date

Ethics, Compliance, and Fraud Hotline
Adopted Date: June 6, 2013
Last Revised Date: ~~April 18, 2023~~

3 of 3

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OCERS Board Policy

Ethics, Compliance, and Fraud Hotline

Purpose and Background

1. The OCERS Ethics, Compliance, and Fraud Hotline (the Hotline) was established to aid management in the detection of activities that are unethical, fraudulent, or not in compliance with OCERS' policies. The Hotline facilitates anonymous reporting by employees, contractors, members, and the general public to report concerns about potential misconduct or inappropriate activities, including but not limited to, harassment, conflict of interest, violation of policy, fraud, and waste of resources.
 - a. The Hotline assists in reinforcing OCERS' efforts to ensure transparency, accountability, fairness, and integrity in the workplace.

Policy Objectives

2. The purpose of this document is to establish a policy for conducting an investigation when a report of potential misconduct or inappropriate activity is made through the Hotline, and for assigning responsibility for taking appropriate actions as a result of the investigation. Workplace complaints against members of the Board or OCERS executive staff are not covered under this policy. Workplace complaints are instead handled under the Protocol for Handling Workplace Complaints Against Board Members and Executives Policy.

Policy Guidelines

3. OCERS management is responsible for the implementation of procedures and controls designed to prevent and detect fraud, misappropriations, deception, wrongdoing, and other inappropriate conduct. Fraud is defined by the Association of Certified Fraud Examiners as a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment. Fraud can include conflict of interest, theft, or breach of fiduciary duty. Each member of the OCERS management team must be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.
4. All allegations of potential misconduct or inappropriate activity raised by any source will be taken seriously and properly investigated. Retaliation against anyone who reports suspected misconduct or inappropriate activity will not be tolerated.
5. OCERS Director of Internal Audit will be responsible for conducting an investigation as a result of a report being filed on the Hotline. The investigation will be conducted without regard to the alleged wrongdoer's length of service, position, title, or relationship with OCERS.
6. If an accusation is made against the Director of Internal Audit, then the Director of Internal Audit or a member of the Internal Audit department, as appropriate, will inform the Chief Executive Officer, who will then be responsible for directing an investigation.
7. Depending on the nature of the complaint, some investigations regarding human resources matters such as matters related to performance appraisals or harassment may be turned over to



OCERS Board Policy Ethics, Compliance, and Fraud Hotline

the Director of Human Resources. Internal Audit may also seek the assistance of Legal or other informed parties in conducting an investigation.

8. Except as provided in Section 10, below, the Chief Executive Officer will make the final determination regarding action to be taken upon completion of the investigation.
9. The Audit Committee or Chair of the Audit Committee will make the final determination regarding action to be taken upon completion of the investigation where:
 - a. the accusation is against a member of OCERS Senior Executive management;
 - b. the results of an investigation indicate criminal acts have occurred; or
 - c. there are high-level policy implications resulting from an investigation.
10. If a report to the hotline indicates that illegal acts may have been committed, Internal Audit will refer those reports to General Counsel and the appropriate law enforcement agency or the district attorney. If a report to the hotline indicates that a violation of the Political Reform Act has occurred, such as a conflict of interest, illegal acceptance of gifts or honorarium, or restrictions on activities of former investment officials, then Internal Audit will refer the report to the California Fair Political Practices Commission (FPPC).
11. The final outcome of all investigations will be reviewed with the Chair of the Audit Committee and a summary will be submitted to the Audit Committee unless deemed confidential by the Director of Internal Audit in consultation with the Chief Executive Officer, the Chair of the Audit Committee and Legal Counsel.
12. The identities of the complainant and the subject of the complaint will remain confidential to the fullest extent possible, consistent with the law and customary practice.

Policy Review and History

13. This policy will be reviewed every three years.
14. The Board adopted this policy on June 06, 2013, and amended on January 1, 2017, May 18, 2020 and April X, 2023.

Secretary’s Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.

Steve Delaney
Secretary of the Board

4/XX/2023

Date



Memorandum

DATE: April 5, 2023
TO: Members of the Audit Committee
FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations
SUBJECT: 2022 FINANCIAL STATEMENT AUDIT – ENTRANCE CONFERENCE

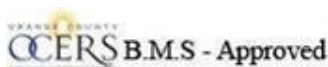
Presentation

Background/Discussion

Moss Adams LLP (Moss Adams) is OCERS independent financial auditors. Moss Adams prepares an audit plan for OCERS Audit Committee as part of the entrance conference for the annual financial statement audit. Attached is Moss Adam’s 2022 Audit Services Plan, prepared by Kory Hoggan, Engagement Partner. The plan includes an overview of the Moss Adam’s engagement service team for the financial statement audit; scope of services; overall summary of audit responsibilities; timeline for deliverables; and highlights of Moss Adam’s audit approach. Mr. Hoggan and Mr. Aaron Hamilton, Audit Senior Manager, will be attending the Audit Committee meeting on April 5, 2023 to present their report.

Attachment

Submitted by:



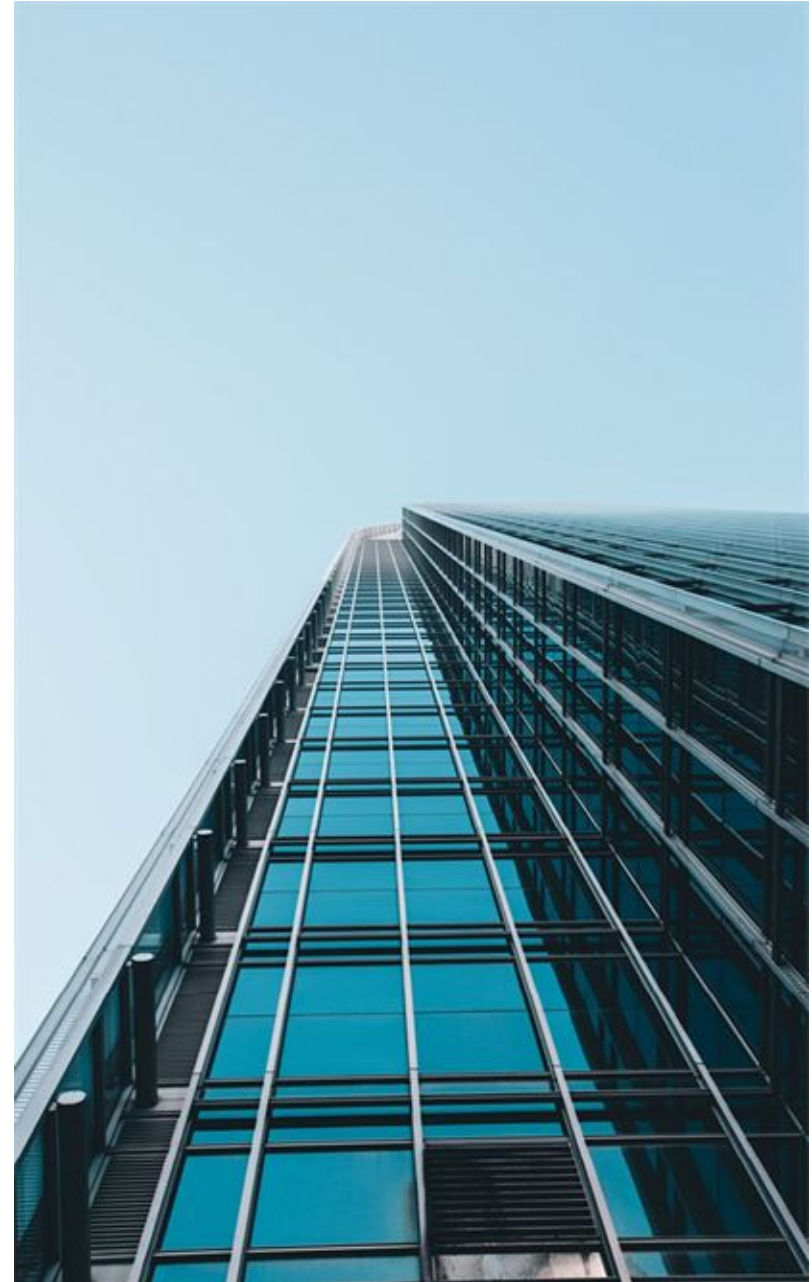
Brenda Shott
Assistant CEO, Finance and Internal Operations



Orange County Employees Retirement System

Audit Entrance Presentation to Audit Committee

April 5, 2023



Your Audit Team



Kory Hoggan, CPA
Engagement Partner
kory.hoggan@mossadams.com
(505) 878-7214



Aaron Hamilton, CPA
Audit Senior Manager
aaron.hamilton@mossadams.com
(505) 837-7630



Laurie Tish, CPA
Concurring Reviewer



Jeff Roybal, CPA
Audit Manager



Audit Communications

Entrance Conference – Today

- Planned scope and timing of audit
 - Auditor’s responsibility under auditing standards
-

Exit Conference – June 2023

- Significant audit findings
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Management representations
- Management consultations with other independent accountants
- Other audit findings or issues



Audit Reports

We will provide the following audit reports for the year ended December 31, 2022

Report of independent auditors on financial statements

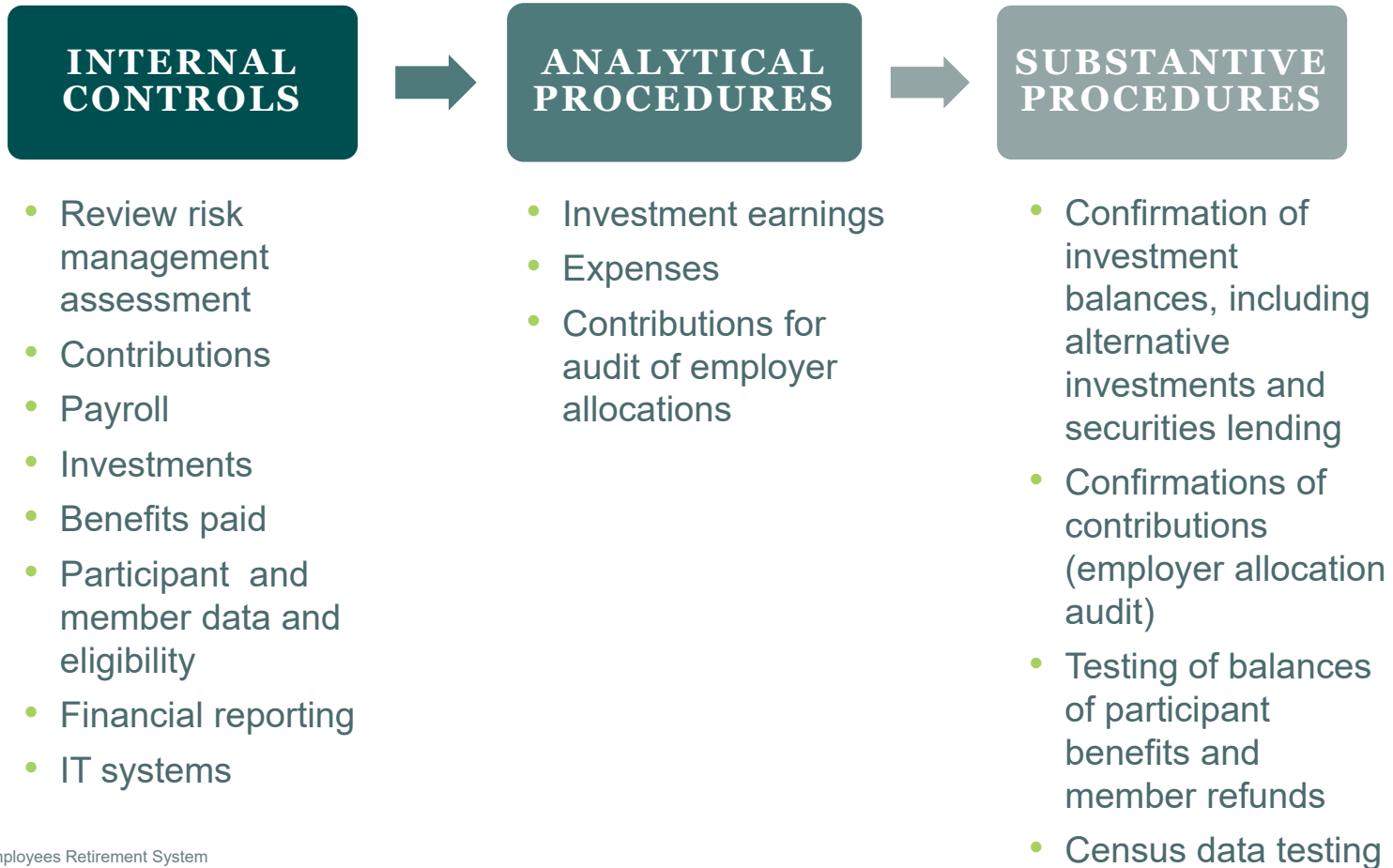
Report of independent auditors on employer allocations and pension amounts by employer

Report to those charged with governance (required communications and other matters of interest)

Government Auditing Standards report on internal controls (communicating internal control matters)



Areas of Audit Emphasis



Other Areas of Concern for the Audit Year?

- Valuation of alternative investments
- Final average salary calculations
- Liquidity of alternative investments
- Conversion from Dynamics to Intacct



Testing of Investments

Use guidance in AICPA Practice Aid for Alternative Investments Risk Assessment

- Alternative investments composition
- Understand nature, complexity and volatility of investment

Internal Controls

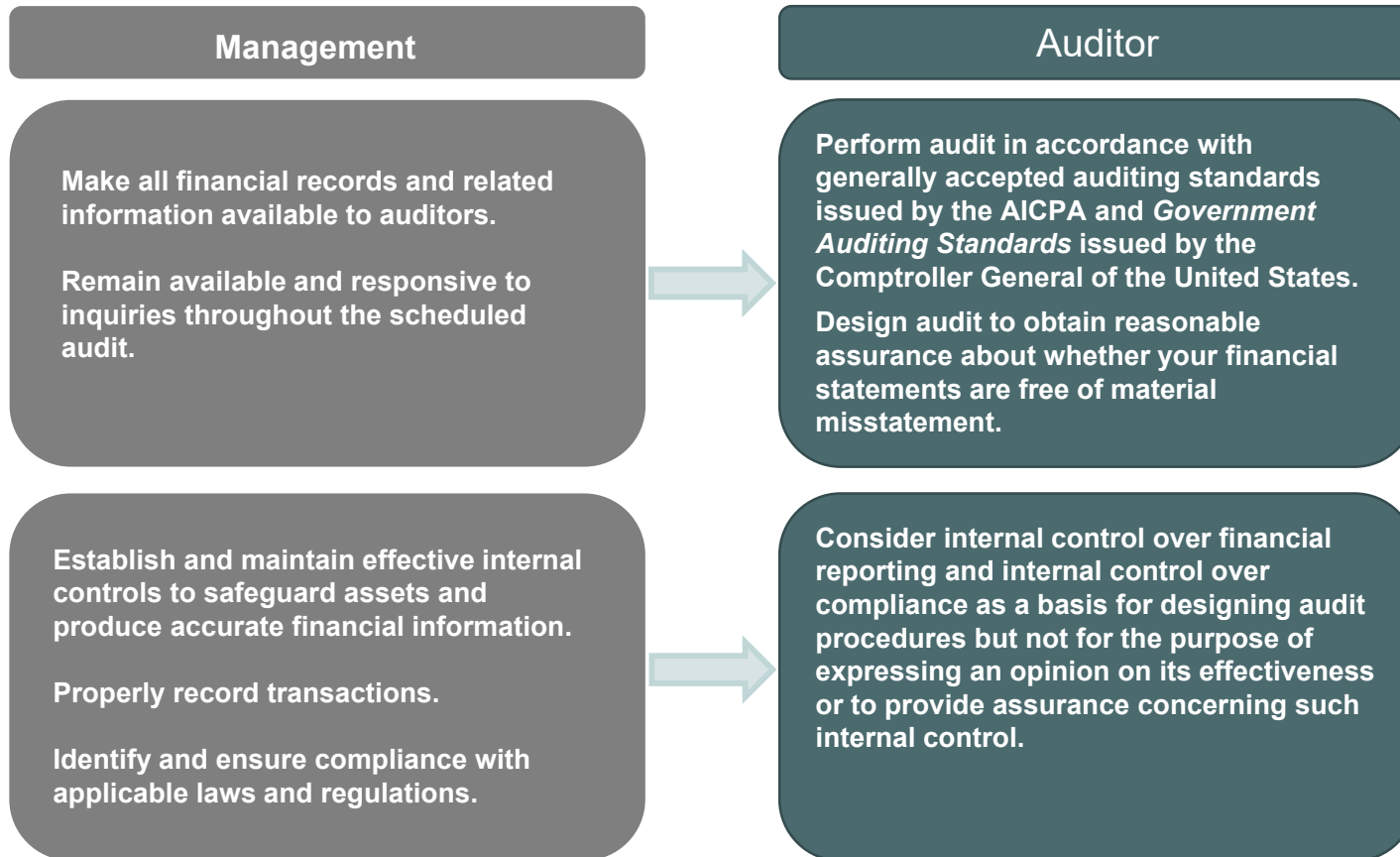
- Authorization of investments and investment policy
- Due diligence and on-going monitoring

Test of Details

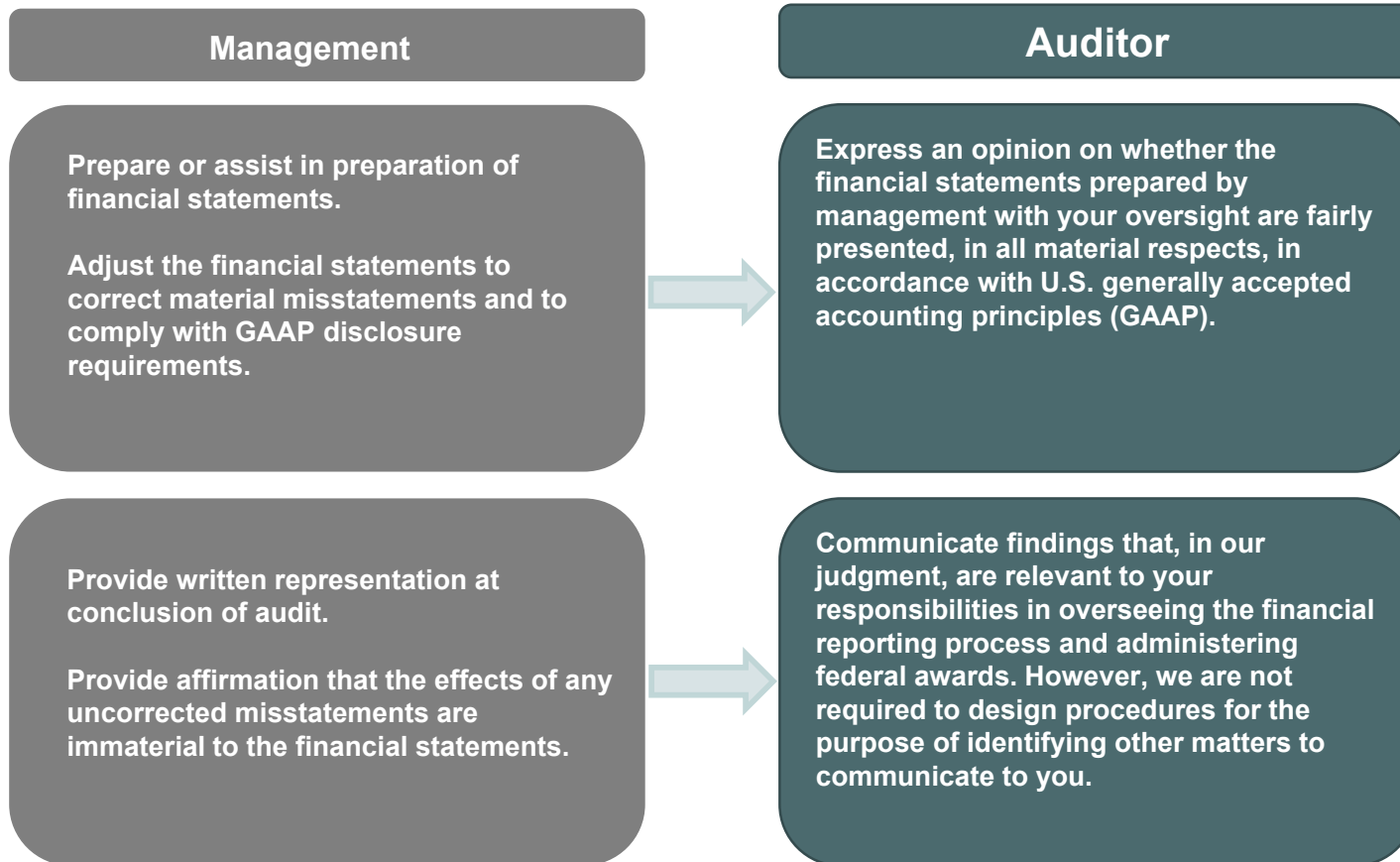
- Confirm selected investments: existence, valuation, and liquidity
- Review audited financial statements and analyze assumptions used



Management & Auditor Responsibilities



Management & Auditor Responsibilities (continued)



Materiality

The level of misstatement that could influence the economic decisions of users of the Fund's financial statements



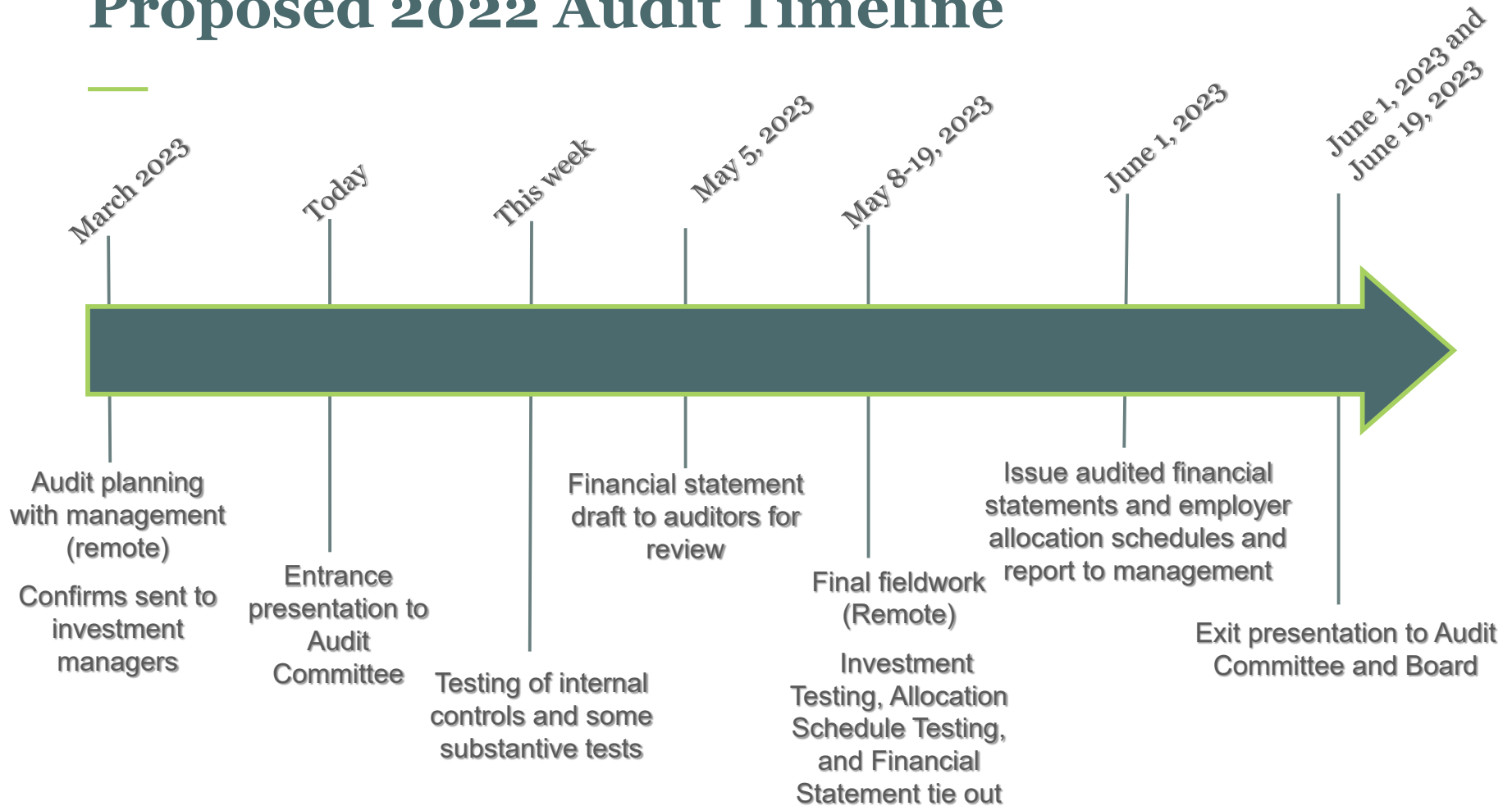
Materiality used to identify :

- Significant risk areas
- Nature, timing, extent, and scope of test work
- Findings or misstatements

Two levels: Financial statement materiality and member level (much smaller)



Proposed 2022 Audit Timeline





THANK
YOU





Memorandum

DATE: April 5, 2023
TO: Members of the Audit Committee
FROM: David Kim, Director of Internal Audit
SUBJECT: MANAGEMENT ACTION PLAN VERIFICATION REPORT

Written Report

Background/Discussion

Under the International Standards for the Professional Practice of Internal Auditing (“Standards”), Internal Audit must establish and maintain a system to monitor the disposition of prior results communicated to management. This includes a follow-up process to monitor and ensure that management action plans have been implemented or that management and the Audit Committee has accepted the risk of not taking action.

The follow-up on management action plans (MAPs) involves:

- Confirming management has implemented an action plan and no further action is required.
- Internal Audit has tested the operational effectiveness MAP.

The following report contains the status of the MAPs that have been reported to the Audit Committee:

- For the MAPs noted as Open, Internal Audit will continue to work with the respective parties until the MAP is closed and verified.
- For the MAPs noted as Closed – No Further Action Required (YTD), Internal Audit has confirmed the MAPs have been implemented and operating effectively during the current year.
- For the MAPs noted as Closed – No Further Action Required (Prior Years), MAPs that have been implemented and confirmed as operating effectively prior to the current year.

Submitted by:



DK - Approved

David Kim

Director of Internal Auditor



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

"We provide secure retirement and disability benefits with the highest standards of excellence."

REPORTING FOR: 2018, 2019, 2020, 2021, 2022, ARCHIVED	OPEN	Closed - No Further Action Required (YTD)	Closed - No Further Action Required (Prior Years)	Total
Process Owner				
EMPLOYER	2	2	13	17
EXECUTIVE	4	3	5	12
FINANCE	0	0	20	20
INFORMATION SECURITY	1	0	0	1
INFORMATION TECHNOLOGY	8	0	9	17
INVESTMENTS	0	0	10	10
MEMBER SERVICES	2	5	35	42
Total Count:	17	10	92	119



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Project: 26 - Audit of Orange County Fire Authority (2018)

REPORT DATE: 10/23/2018

OPEN

Open Observations: 1

OBSERVATION #6 - V3 CONTRIBUTION RATE CONFIGURATIONS SOD - THERE IS NOT A PROPER SEGREGATION OF DUTIES WITHIN OCERS' IT DIVISION IN REGARDS TO THE CONFIGURATION OF CONTRIBUTION RATES IN V3.

Process Owner:	INFORMATION TECHNOLOGY
Due Date:	06/30/2023
Action Plan:	Management agreed to the following recommendation: OCERS' management should re-assign the duties of configuring updated rates in V3 from OCERS' Director of IT to the appropriate personnel for cross-training, process documentation, and backup purposes. The revised process will encompass multiple departments, and will segregate duties related to preparing the rate schedules, data input into V3 and verification/audit of contribution rates.
IA Follow-Up:	Internal Audit has spoken with management about action plan and will verify when duties are transitioned. The duties have been segregated among different departments. IT is finalizing the procedural document to configure the contribution tables in V3.

Project: 6 - 1901 - Finance Contributions audit

REPORT DATE: 05/16/2019

OPEN

Open Observations: 1

OBSERVATION #1 - A FORMAL PERIODIC REVIEW OF PROPER USER ACCESS TO OCERS APPLICATIONS AND NETWORK IS NOT DOCUMENTED BY THE APPROPRIATE MEMBERS OF THE BUSINESS.

Process Owner:	INFORMATION TECHNOLOGY
Due Date:	06/30/2023
Action Plan:	Per IT Governance and Information Security action items to address Center for Internet Security (CIS) Control 16: Account Monitoring and Control, OCERS IT and the Executive management team are establishing the following: 1. Develop Account Management and Access Control Policies. 2. Create an annual User Account review process and supporting documentation. 3. Setup means for staff to review and enter data in SharePoint with associated workflow to complete and track reviews initiated with IT managed systems.
IA Follow-Up:	Access review is underway. Formal policies are currently in working draft as of February 2021 to be formalized by Dec 2022. 9/16 - RPA is a possible long term solution. Mgmt is considering a short term solution using SharePoint



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Project: 36 - 1943 2019 BCDR Audit

REPORT DATE: 10/17/2019

OPEN

Open Observations: 2

OBSERVATION #3 - 3. A FORMAL PROCESS INVOLVING CRITICAL OCERS STAKEHOLDERS IS NOT IN PLACE TO TEST THE RECOVERY OF DEPENDENT IT APPLICATIONS.

Process Owner:	INFORMATION TECHNOLOGY
Due Date:	07/31/2023
Action Plan:	OCERS IT will formalize and adopt a new Business Continuity and Disaster Recovery test plan that will include test activities, confirmation, and sign-off by the various business units within OCERS.
IA Follow-Up:	IT will develop testing templates and scenarios and will coordinate with management to perform testing for IT managed systems. 9/16/22 - Mgmt is currently developing test plans

OBSERVATION #6 - 6. RECOVERY PROCEDURES FOR DEPENDENT IT APPLICATIONS ARE NOT DOCUMENTED IN THE RECOVERY PLANS.

Process Owner:	INFORMATION TECHNOLOGY
Due Date:	06/30/2023
Action Plan:	End User documents are being developed for the purpose of providing recovery instructions to the crisis management team, in the event IT staff are not available in the event of an emergency. The documents will provide simple easy to follow instructions on how to failover and/or recover sites or systems in the event of a technology failure. These documents will be included in OCERS IT Backup and Recovery test plan stored in Catalyst to ensure procedures are complete and can be followed by non- IT staff
IA Follow-Up:	Procedures the steps involved in the recovery process have been drafted, however, an overall backup policy needs to be formally developed. 9/16/22 - IT and InfoSec noted that IT staff with the appropriate level of access would be needed for the recovery process and that there are enough IT and InfoSec staff for BCDR situations. Management will still develop documented procedures for recovery but geared towards IT Staff.

Project: 39 - 1971-IT General Controls

REPORT DATE: 06/04/2020

OPEN

Open Observations: 2

OBSERVATION #2 - OCERS SHOULD FORMALIZE A PROCESS TO ANNUALLY OBTAIN AND REVIEW SOC REPORTS FOR RELEVANT IT VENDORS.

Process Owner:	INFORMATION TECHNOLOGY
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Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Due Date:	06/30/2023
Action Plan:	OCERS has developed criteria to identify IT vendors and technology service providers' requiring SOC2 reports, and will enhance our systems to notify staff to request and review SOC2 reports annually. Process and review documentation is being developed along with updates to our procurement process to mandate SOC2 reports as a deliverable
IA Follow-Up:	Enhancements have been made to the vendor management system. Processes and Procurement policy needs to be formally updated.

OBSERVATION #3 - OCERS DOES NOT MAINTAIN DATA FLOW DIAGRAMS OR OTHER DOCUMENTATION OF INFORMATION FLOW BOTH INTERNALLY AND TO EXTERNAL PARTIES.

Process Owner:	INFORMATION TECHNOLOGY
Due Date:	12/30/2023
Action Plan:	Phase one of OCERS Data Classification project, will identify data elements in our V3 system and include the creation of data flow diagrams for data elements classified as "sensitive". In addition, OCERS IT Programming team will develop data flow diagrams of their internal datasets and reporting platform. Additional data flow diagrams may be developed along with process flow diagrams as part of future lean process improvements.
IA Follow-Up:	IT to discuss solutions with other vendors. IT will focus on Member data and related data from business processes (e.g. member payroll, death data). Focus on data flows either instead of or before data classifications, depending on the nature of the observation.

Project:	42 - 2032 - Actuarial Extract Audit	
REPORT DATE:	10/13/2020	OPEN
Open Observations:	2	

OBSERVATION #4 - 4. NUMERICAL THRESHOLDS UNDER WHICH FURTHER INVESTIGATION OF VALIDATION RESULTS ARE NO LONGER CONSIDERED NECESSARY ARE NOT FORMALLY DEFINED.

Process Owner:	INFORMATION TECHNOLOGY
Due Date:	04/28/2023
Action Plan:	The IT Programming team with work with OCERS Management to develop acceptable thresholds to use when reviewing the actuarial validation results.
IA Follow-Up:	IT has developed threshold recommendations and will coordinate with business owners for final approval.

OBSERVATION #5 - 5. MEMBER SERVICES DOES NOT HAVE POLICIES AND PROCEDURES RELATED TO THE USE OF THE PENSION ADMINISTRATION SYSTEM MEMBER DATA VALIDATION QUERIES.

Process Owner:	MEMBER SERVICES
Due Date:	04/30/2023



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Action Plan: The Member Services team will document and formalize policies and procedures related to the pension administration system data queries created by the OCERS IT Department. We will also document the personnel structure responsible for the process as well as the timing and scheduling cycles for the annual review.

IA Follow-Up:

Project: 33 - 2090 - Vulnerability and Patch Management

REPORT DATE: 03/22/2021

OPEN

Open Observations: 1

OBSERVATION #1 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

Process Owner: INFORMATION SECURITY

Due Date:

Action Plan: Details Removed - Discussed in Closed Session

IA Follow-Up:

Project: 56 - 2133 - Dependent Survivor Eligibility Audit

REPORT DATE: 10/04/2021

OPEN

Open Observations: 1

OBSERVATION #3 - 3. A LUMP SUM BENEFICIARY PAYMENT TO A DECEASED DRO SURVIVOR PAYEE'S ESTATE WAS OVERPAID BY \$200.

Process Owner: MEMBER SERVICES

Due Date: 09/29/2023

Action Plan: Member Services Management will perform a root cause analysis and develop a QA process specific to the Manual Tertiary Applications. This type of application is very rare and is not fully developed and automated in V3. We will work to incorporate this in either a V3 upgrade or the new PAS system in the future.

IA Follow-Up:



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Project: 60 - 2261 - Procurement Audit

REPORT DATE: 10/03/2022

OPEN

Open Observations: 4

OBSERVATION #1 - OCERS DID NOT COMPLY WITH OCERS PROCUREMENT AND CONTRACTING POLICY (POLICY) REGARDING CONTRACTS AWARDED TO TWO DIFFERENT VENDORS.

Process Owner:	EXECUTIVE
Due Date:	06/30/2023
Action Plan:	A. Management will communicate with all Executives the requirements for issuing an RFP and will coordinate the RFP's per Policy requirements. B. Management will propose changes to the Procurement Policy to include a requirement of the Contracts Administrator to educate staff and confirm Policy compliance. C. Proof of bids and competitive price comparisons will be retained in the Contracts Management System ("CMS") for future reference
IA Follow-Up:	

OBSERVATION #3 - AUTHORIZING SIGNATURES, AS REQUIRED BY THE POLICY, WERE NOT OBTAINED ON FIVE CONTRACTS WITHIN OUR SAMPLE.

Process Owner:	EXECUTIVE
Due Date:	06/30/2023
Action Plan:	A. Management will recommend changes to the Procurement and Contracting Policy to include a duty of the Contract Administer to ensure the appropriate signatures for contracts are obtained. B. In an instance where the Procurement and Contracting Policy is not followed, Management will address these non-compliance issues through the Employee Evaluation and Discipline practices as noted in the Employees Handbook.
IA Follow-Up:	

OBSERVATION #6 - POLICY IS ABSENT GUIDANCE OF WHEN A CONTRACT IS NEEDED AND HOW TO MONITOR ROUTINE ITEMS THAT DO NOT WARRANT A CONTRACT.

Process Owner:	EXECUTIVE
Due Date:	06/30/2023
Action Plan:	Policy Issue: Management will work with the Legal Division to identify circumstances where a contract is required and make recommendations to update the Procurement and Contracting Policy as deemed appropriate.
IA Follow-Up:	



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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OBSERVATION #8 - 8. WE NOTED POTENTIAL ROOM FOR IMPROVEMENT WITH EITHER THE POLICY OR WITH THE ADDITION OF NEW PROCEDURES.

Process Owner:	EXECUTIVE
Due Date:	06/30/2023
Action Plan:	Policy Issue: A. Management will recommend changes to the Procurement and Contracting Policy regarding the approvals required for a contract whose value is unknown at the time of execution. B. Management will recommend changes to the Procurement and Contracting Policy to clarify proper approval of Named Service Providers C. Management will implement a process to track diverse and/or minority owned businesses in an RFP distribution sheet.
IA Follow-Up:	3rd Item - Diverse Vendor tracking action plan is complete

Project: 66 - 2171 - IT Automated Controls

REPORT DATE: 02/14/2023

OPEN

Open Observations: 1

OBSERVATION #1 - 1. AN OPPORTUNITY EXISTS TO ENHANCE DOCUMENTATION OF THREE SPECIFIC AREAS DESCRIBED ACROSS SIX OF THE 19 PENSION ADMINISTRATION SYSTEM SPECIFICATION DOCUMENTS REVIEWED BY INTERNAL AUDIT.

Process Owner:	INFORMATION TECHNOLOGY
Due Date:	12/31/2023
Action Plan:	IT Management will work with our PAS vendor and Member Services to update the identified PAS Design Specification documents to include the detailed logic and calculations configured for our PAS.
IA Follow-Up:	

Project: 63 - 2235 - The Toll Roads Employer Audit

REPORT DATE: 02/14/2023

OPEN

Open Observations: 2

OBSERVATION #2 - 2. FOR TWO MEMBERS IN OUR TEST SAMPLE, THE EMPLOYER INCORRECTLY REPORTED THE PAYROLL INFORMATION TO THE OCERS PENSION ADMINISTRATION SYSTEM (PAS).



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Process Owner:	EMPLOYER
Due Date:	02/15/2023
Action Plan:	TCA has adjusted the employee's reported hours for PP13 & PP14 to correctly reflect the hours worked. TCA noted our internal OCERS schedules properly reflected the number of hours worked, but they were incorrectly copied over to the OCERS transmittal. Additionally, TCA noted the internal schedule for the second employee properly reflected the hourly rate for the pay periods noted. TCA will adjust the employee's reported hourly rate for these periods. TCA reminded the staff and supervisor responsible for preparing and reviewing the transmittal to confirm all hours and information agree to our internal documentation prior to submission. TCA is also working to automate the process of updating the OCERS transmittals with the data from our payroll reports to limit the potential for manual data entry mistakes.
IA Follow-Up:	

OBSERVATION #4 - 4. TWO PROCESS AND REVIEW CONTROLS RELATED TO MEMBER ELIGIBILITY AND PREMIUM PAY ARE NOT FORMALLY DOCUMENTED.

Process Owner:	EMPLOYER
Due Date:	06/30/2023
Action Plan:	<ul style="list-style-type: none"> • Quarterly review of total hours worked by Extra Help and temporary staff: TCA currently requires managers to monitor the hours of temporary project employees. The Controller reviews and signs off on each payroll register as evidence of review of payroll, which includes the hours of temporary project employees. The quarterly review is prepared as a visual aid to note the YTD hours of service for these employees. For additional documentation, TCA's Assistant Controller will begin signing off on her quarterly tracking spreadsheet. • Auto allowance: TCA will add verbiage to the employee handbook describing the auto allowance program. This will be incorporated in the employee handbook revised draft for Board approval.
IA Follow-Up:	



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Project: 5 - Audit of the Benefit Setup Process (2012)

REPORT DATE: 12/04/2012

CLOSED

Closed Observations: 6

OBSERVATION #1 - MANUAL FAS OVERRIDE

Process Owner:	MEMBER SERVICES
Completion Date:	09/13/2022
Action Plan:	Management agreed to the following recommendation: Subsequent changes made to FAS after the initial benefit setup process should require a supervisory approval prior to making an override in the system. Additionally, management should use a system-generated report from V3 that lists all manual overrides to identify all such changes made in the system. Management should review and sign off on each manual override on that report for propriety and accuracy to mitigate the risk of unauthorized or incorrect amounts being entered in the system.
IA Follow-Up:	IA to confirmed the new QA process reviews all manual FAS overrides with the new 100% accruacy process

OBSERVATION #3 - BENEFIT SETUP CHECKLIST

Process Owner:	MEMBER SERVICES
Completion Date:	05/21/2019
Action Plan:	A check list that contains all of the required forms and documents necessary for each type of benefit setup will be created and scanned into LibertyNET until we have fully implemented V3. We have configured several workflows in V3 which will act as an electronic check list to ensure that all required documents are not only received but verified and audited by supervisors.
IA Follow-Up:	IA has verified the use of a workflow process in V3 in V3 benefit setup audits performed after V3 go-live in December 2014.

OBSERVATION #5 - AUTOMATION WITH V3 SYSTEM

Process Owner:	MEMBER SERVICES
Completion Date:	06/05/2019
Action Plan:	Every attempt is being done to incorporate as many of the manual processes into V3 as possible so the application is automated.
IA Follow-Up:	IA has verified the implementation of automated process in V3 that were previously manual within PensionGold. Processes related to reciprocity, service credit purchases, interest postings, domestic relations orders, and initial FAS calculations were tested.

OBSERVATION #7 - UPDATE WRITTEN PROCEDURES

Executed: 3/23/2023 12:05:38 PM
 Executed By: OCERS\dkim

Doc. No. 0080-0120-R0001
 Page 9 of 45



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Process Owner:	MEMBER SERVICES
Completion Date:	05/21/2019
Action Plan:	Member Services has agreed to revise its written procedures to explicitly state the reviewer's practice of signing and dating the spreadsheet template to indicate approval of the FAS calculation. Management recently updated to include this recommendation. However, at the time of the audit it was pending final manager sign off.
IA Follow-Up:	IA has verified the signature requirement process with benefit setup audits performed after the V3 go-live date in December 2014.

OBSERVATION #8 - MANUAL FAS SUPPORTING DOCUMENTATION

Process Owner:	MEMBER SERVICES
Completion Date:	09/16/2021
Action Plan:	Management agreed to the following recommendation: All manual overrides to data should be fully documented with the staff that made the change, date the change was made, prior amount, revised amount, and reason for the change with supervisory approval documented in V3 in accordance with the current method of maintaining supporting documentation for benefits calculation. Member Services personnel are required to document V3 via note for any member file that requires a manual override.
IA Follow-Up:	IA to confirmed the FAS Review process contains steps to review the supporting documentation.

OBSERVATION #9 - FAS AUDIT TRAIL

Process Owner:	MEMBER SERVICES
Completion Date:	04/27/2020
Action Plan:	Management agreed to the following recommendation: We recommend that the new pension administration system (V3) include an audit trail within the system for manual override and other changes made to records. There should be a better audit trail in the new pension administration system to account for changes made in the system instead of relying only on records scanned into LibertyNET or similar imaging software for an explanation.
IA Follow-Up:	IA confirmed an audit trail function exists in V3 noting the original and new FAS, change date and Changed by.

Project: 11 - Audit of OCERS' Practices and Procedures for the Recording and Reconciliation the Investments (2013)

REPORT DATE: 02/18/2013

CLOSED

Closed Observations: 6

OBSERVATION #1 - AUTOMATED JOURNAL VOUCHER ENTRIES

Process Owner: FINANCE



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Completion Date:	05/03/2019
Action Plan:	Management agreed to the following recommendation: Finance should consider use of State Street's General Ledger Feed software or consider building a Microsoft Access database. We are in the process of working with State Street to implement an automated process for downloading the trial balances with a goal of completing this by year end. Manual JV preparation will continue until detailed research/analysis is successfully completed with regards to automation of the GL feed with State Street in 2013. Target Completion Date: December 31, 2013.
IA Follow-Up:	IA verified that Finance is no longer manually entering State Street trial balance information, but uploading a State Street spreadsheet file into the monthly Investment Journal Entry worksheet.

OBSERVATION #2 - UPDATE POLICY OVER MANAGER STATEMENT RECONCILIATIONS

Process Owner:	FINANCE
Completion Date:	05/07/2019
Action Plan:	Management agreed to the following recommendation: Finance should enforce timely due dates for when quarterly investment manager reconciliations are to be completed; the policy should be updated accordingly. Due date for the quarterly investment reconciliation between investment managers and State Street will be established to reflect 45-60 days after quarter-end. Policy will be updated to include the changes effective January 2013. Finance has prepared both the 1st quarter 2012 and 2nd quarter 2012 reconciliations and are pending review and approval by management. Target Completion Date: March 31, 2013.
IA Follow-Up:	IA verified that policy requires a reconciliation after Investment Managers Reports are collected from emailed statements and working trial balances are received from the State Street website. Private investment statements are often not available after the 45-60 day period.

OBSERVATION #3 - UPDATE FINANCE MANUAL FOR MANAGER STATEMENT RECONCILIATIONS

Process Owner:	FINANCE
Completion Date:	05/07/2019
Action Plan:	Management agreed to the following recommendation: Management should revise appropriate sections of the policy to reflect the current practice of performing quarterly, not monthly, reconciliations of investment manager statements and State Street trial balances.
IA Follow-Up:	IA verified that policy requires a reconciliation after Investment Managers Reports are collected from emailed statements and working trial balances are received from the State Street website. Private investment statements are often not available after the 45-60 day period.

OBSERVATION #4 - FINANCE MANAGER SIGNOFF FOR RECONCILIATIONS

Process Owner:	FINANCE
Completion Date:	05/03/2019
Action Plan:	Management agreed to the following recommendation: Finance should revise its policy to require management signoff of the reconciliation of the general ledger to evidence review and approval. Furthermore, Finance should perform these reconciliations on a monthly basis to help ensure that reconciling items are resolved in a timely manner. The Trial Balance Reconciliation process and policy will be revised to include Management signoff requirement. The revised policy will also show that the reconciliation process will be performed on a monthly basis in 2013 and the worksheet will reflect the names of preparer, approver, and approval date. Target Completion Date: March 31, 2013.
IA Follow-Up:	IA verified that internal policy now requires a management signoff review of the monthly trial balance reconciliation for investment accounts.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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OBSERVATION #5 - MANAGER REVIEW OF CIO INVESTMENT REPORT RECONCILIATION

Process Owner:	FINANCE
Completion Date:	05/07/2019
Action Plan:	Management agreed to the following recommendation: A supervisor should review and approve reconciliations of the CIO Investment Report. As evidence of review, the supervisor should sign and date the reconciliations, and note any discrepancies found. Finance policies and procedures should be updated accordingly. Current policy will be updated to include management signoff of the reconciliation. The reconciliation worksheet will reflect the names of preparer, approver, and approval date. Target Completion Date: December 31, 2012.
IA Follow-Up:	IA verified that policy requires management signoff on the reconciliation with the worksheet reflecting the names of the preparer, approver and approval date.

OBSERVATION #6 - STATE STREET BANK - CUSTOMER SERVICES ISSUES

Process Owner:	FINANCE
Completion Date:	05/03/2019
Action Plan:	We believe management has addressed customer service issues with State Street custodian bank. We recommend that OCERS staff continue to monitor State Street's compliance with the action plan.
IA Follow-Up:	OCERS staff continues to monitor and address any issues/discrepancies in State Street reporting. This occurs through emails and periodic meetings between OCERS investments and finance staff and State Street staff. Annually, the review of the custodial relationship with State Street is presented to the Investment Committee.

Project: 7 - Review of OCERS' Derivatives Investments (2014)

REPORT DATE: 07/10/2014

CLOSED

Closed Observations: 3

OBSERVATION #1 - OCERS IS NOT IN COMPLIANCE WITH THE INVESTMENT POLICY STATEMENT REGARDING THE SPECULATIVE USE OF DERIVATIVES.

Process Owner:	INVESTMENTS
Completion Date:	09/25/2019
Action Plan:	OCERS should either follow the current investment policy and discontinue the practice of using derivatives for speculative purposes, or amend the Investment Policy Statement to follow the current practice. Staff has clarified the language on the derivatives within the Investment Policy Statement and the Investment Committee approved the changes at the 6/25/14 meeting.
IA Follow-Up:	Internal Audit reviewed the minutes of the June 25, 2014 Investment Committee meeting and the updated Investment Policy Statement



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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OBSERVATION #2 - ANNUAL REPORTING OF DERIVATIVES TO THE INVESTMENT COMMITTEE

Process Owner:	INVESTMENTS
Completion Date:	08/10/2020
Action Plan:	<p>Currently, the quarterly Derivatives Report provides information relating to the separately managed accounts. The commingled fund investments do not provide similar level of transparency, therefore the quarterly report does not include commingled funds data.</p> <p>The Investments staff has created a template (undergoing internal review) which could be used as a tool to receive information relating to derivatives directly from the investment managers. Such a disclosure and declaration is outside the norm, so it is difficult to predict how many or if the investment managers will comply. As soon as the template is finalized, staff will send it out to gather responses from the various investment managers. Our current expectation is that OCERS will not be able to impose periodic reporting requirements of our own on certain managers, and that in some if not most cases, we will be compelled to accept data as it can be provided by them on their annual cycles. Efforts will be made to achieve more-frequent reporting, but at this time there can be no assurance that such efforts will be successful.</p> <p>The Investment Policy Statement, approved at the 6/25/14 Investment Committee meeting, was amended in part to include the following: "The compliance report for separate account managers will be reviewed with the Investment Committee on a quarterly basis. The CIO shall report to the Committee annually on the staff and consultants' surveillance of diversification and risk controls associated with [derivatives]."</p>
IA Follow-Up:	<p>Internal Audit reviewed the 2019 Security Report reviewed and approved by the Investment Department.</p> <p>The Investment Team provided an update to the action plan. The quarterly Derivatives Report had been discontinued for a number of years and is no longer reported to the Investment Committee. For the action plan, Investments reviews the derivative information in preparation of the CAFR, which is presented to the Audit Committee. Internal Audit to follow-up during the Investment teams review of the derivative information as part of the 2019 CAFR preparation.</p> <p>Updated 8/10/20</p> <p>Investments provided the "Derivatives List - 2019.xls" file which includes the securities inventory that Investments provides to Finance with the investment types and leveling of assets.</p>

OBSERVATION #3 - COUNTERPARTY RISK REPORTING

Process Owner:	INVESTMENTS
Completion Date:	05/21/2020
Action Plan:	<p>Management has agreed to the recommendation: Counterparty risk, the risk that a financial institution will not honor the terms of a derivative contract due to poor financial health, is a key risk for derivatives.</p> <p>The Board is not getting complete information on the counterparty risks of all investment managers. Because many of OCERS' investment managers use the same institutions as counterparties, if a counterparty fails, it would affect several investment managers in the OCERS' portfolio simultaneously. Therefore, reporting on total counterparty risk to OCERS would be useful for accessing a concentration of risk with a single counterparty.</p> <p>OCERS' custodian bank, State Street, provides data on investment holdings and counterparty holdings that can be used to create a compilation of counterparties in the OCERS portfolio, though this will only include the OCERS' separately managed accounts.</p> <p>OCERS should request that State Street on a quarterly basis provide a report listing derivatives holdings by counterparty with amounts of currency forward contracts, swaps, and total fair value. The report should also include a credit rating agency's rating.</p> <p>This report should be included with the derivatives report to the Investment Committee.</p>
IA Follow-Up:	Internal Audit reviewed the 2019 Counterparty Risk Report reviewed and signed by the CIO.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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CLOSED

Project: 17 - Audit of OCERS' Due Diligence Process (2015)

REPORT DATE: 08/06/2015

Closed Observations: 5

OBSERVATION #1 - NO DUE DILIGENCE POLICY

Process Owner:	INVESTMENTS
Completion Date:	01/07/2021
Action Plan:	Management has agreed to the recommendation: The CIO and his staff should create written procedures that specifically document the steps necessary to conduct adequate due diligence. We concur with the recommendation that written procedures are desirable, and staff is working on the development of a document that would fulfill this objective.
IA Follow-Up:	The CIO and Investment Team developed Investment due diligence procedural documents including the Contract Due Diligence Checklist Procedure document and the Contract Due Diligence Checklist document.

OBSERVATION #2 - OPERATIONAL DUE DILIGENCE

Process Owner:	INVESTMENTS
Completion Date:	02/13/2020
Action Plan:	Management has agreed to the recommendation: For non-traditional pension fund managers that have not undergone an operational due diligence review from the OCERS' investment consultants, OCERS should consider the following on a case-by-case basis or at the CIO's discretion. A criteria or threshold (e.g., a dollar amount of an investment) should be set by the CIO to trigger when such a review will occur. Management agrees that a "deeper dive" could be appropriate for certain non-traditional managers, but only if a majority of the Board considers such measures to be necessary, cost-beneficial or justifiable on a risk-vs-cost basis. Cost-sharing strategies and outsourcing-versus-internal capacity should be explored and considered, along with a prioritization protocol.
IA Follow-Up:	In discussions with CIO, and review of the September Investment Committee meeting minutes, confirmed OCERS no longer requires the use of a special operational due diligence consultant. The consultant was not used or required when initially contracts.

OBSERVATION #3 - DUE DILIGENCE FOR RFP MANAGERS

Process Owner:	INVESTMENTS
Completion Date:	02/13/2020
Action Plan:	Management has agreed to the recommendation: For RFP-sourced managers, there should be consistent narrative due diligence reporting provided to the Investment Committee. Investments should consider using a checklist to make sure all documents are included for the Investment Committee to consider. We agree that our written procedures and future practices should include routine reporting of internal due diligence when the RFP channel is deployed for manager selection. The Director of Investment Operations has already included this step in the working draft of written procedures we are formulating and refining.
IA Follow-Up:	Due Diligence would apply to all managers, not just under an RFP process. Internal Audit observed due diligence process during Investment Consulting engagement.

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Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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OBSERVATION #4 - MANAGER RFP STANDARDIZED QUESTIONING

Process Owner:	INVESTMENTS
Completion Date:	01/07/2021
Action Plan:	Management has agreed to the recommendation: Future RFP questionnaires should include interrogatories regarding a manager's operational infrastructure and negative findings disclosed from their annual external audit. We agree that future RFPs should include standard (first-stage or second stage) provisions and questions that are relatively uniform regarding due diligence, operations, and related legal, regulatory and compliance risks. The cited incident was an oversight that need not recur. Written procedures and a process to review those routinely will be helpful to assure consistency.
IA Follow-Up:	Investments included in the Contract Due Diligence Checklist document and the Compliance Report document steps to validate operational infrastructure of money managers.

OBSERVATION #5 - CONSULTANT DUE DILIGENCE DOCUMENTATION

Process Owner:	INVESTMENTS
Completion Date:	02/13/2020
Action Plan:	Management has agreed to the recommendation: As part of its due diligence process, OCERS' Investments staff should obtain and review NEPC's Investment Due Diligence Research Report for all managers NEPC recommends to OCERS. We agree that consultant documentation or pertinent summaries of their due diligence should routinely and consistently be included in Committee materials when managers are presented, or subsequently as a validating consent agenda item if their work follows a provisional approval.
IA Follow-Up:	As part of the Investment Consulting engagement, Internal Audit was able to observe the due diligence process which included reviewing the materials from the investment consultants.

Project: 8 - Audit of OCERS' Private Equity Managers Abbott Capital and Pantheon (2016)

REPORT DATE: 03/21/2016

CLOSED

Closed Observations: 4

OBSERVATION #1 - ESTIMATED MANAGEMENT FEES

Process Owner:	FINANCE
Completion Date:	04/29/2019
Action Plan:	The Investments Division staff will coordinate with Finance to review the management fees for the 40 funds with OCERS' four private equity managers on a sampling or rotation basis. Finance concurs with this recommendation and will compare expected management fees provided by Investments to actual fees disclosed in the private equity managers' quarterly financial statements.
IA Follow-Up:	Management modified the approach with approval from the Board to use the annual Investment Fee Report prepared in accordance with the Board's Investment Fee Policy as the method by which OCERS' investment management costs are and will be tracked, reported and managed.

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Management Action Plan Status Report

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 Process Owner(s): ALL

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OBSERVATION #2 - STATE STREET REPORTING OF MANAGER FEES

Process Owner:	FINANCE
Completion Date:	05/03/2019
Action Plan:	Management agreed to the following recommendation: OCERS' Finance should consult with State Street to ensure that State Street includes the management fees for Abbott Capital and Pantheon in the information for monthly journal entries provided to OCERS, since these fees are disclosed on the managers' quarterly investment statements. OCERS is currently working with State Street on the consistency of their reporting and directing them to capture all non-cash investment management fees in their custodial reports.
IA Follow-Up:	IA verified that Finance is reconciling fees noted on the manager statements are being captured in State Street journal entries.

OBSERVATION #3 - CAFR FEE DISCLOSURES

Process Owner:	FINANCE
Completion Date:	04/29/2019
Action Plan:	Management agreed to the following recommendation: OCERS' financial management should consider stating that the "Schedule of Investment Expenses" disclosure does not include underlying fund management fees and performance fees which are netted with investment returns. Finance will consider adding this disclosure in OCERS' 2015 CAFR as part of an overall review of all investment-related disclosures with its external auditors, Macias Gini & O'Connell LLP, and ensure that any changes in the disclosures are in compliance with GASB.
IA Follow-Up:	Disclosure has been added to the CAFR and confirmed by IA.

OBSERVATION #4 - CONSIDERATION OF ILPA BEST PRACTICES

Process Owner:	INVESTMENTS
Completion Date:	01/25/2021
Action Plan:	OCERS should implement Institute of Limited Partners Association (ILPA) best practices in LPAs with direct investment private equity funds if OCERS goes into direct private equity program. In considering whether OCERS should adopt a direct private equity program, OCERS' Investments management should consider the cost of implementing the ILPA best practices. OCERS investment staff will first work with our private equity fund of funds managers to monitor their use of ILPA guidelines and best practices, as we further our own internal education about these evolving standards.
IA Follow-Up:	Investment Team developed a guide to track and assess the key legal and ILPA-related terms OCERS negotiates through the private markets investment manager contracting processes.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Project: 16 - Audit of OCERS' Death Match Process (2016)

REPORT DATE: 06/24/2016

CLOSED

Closed Observations: 7

OBSERVATION #1 - OVERPAYMENT TO DECEASED MEMBERS

Process Owner:	MEMBER SERVICES
Completion Date:	12/21/2021
Action Plan:	The deceased members identified by Internal Audit will be processed immediately according to the specific circumstances of the accounts. Overpayments will be processed according to policy and beneficiaries will be contacted regarding lump sum payment options for refunds. Management will investigate possible options for instituting a multi-step review process to ensure entries are made into V3 or a quarterly/annually comparison of the database with the information from a death match service provider.
IA Follow-Up:	Member Services has repaid or wrote off \$421,402 of the \$990,694 of the 24 deferred members. Additionally, Member Services has recovered \$16,008 of the \$20,620 from the four deceased payees. Process is in place to review updates from death data vendor. Member Services will provide updates to the remaining overpayments bi-annually to Internal Audit, starting June 2022

OBSERVATION #2 - MANUAL QUERY OF V3 UNTIL NEW REPORT IS CREATED

Process Owner:	MEMBER SERVICES
Completion Date:	12/21/2021
Action Plan:	The overpayment to the specific member and DRO payee identified by Internal Audit will be dealt with immediately according to current policy. As V3 is currently configured the system will prevent future overpayments from occurring by suspending the benefit once a death date is entered. The items on the overpayment log need to be reconciled with V3 as a post-go live project but it was envisioned that V3 will replace the need for a manual spreadsheet outside of the system. A query or report may be needed during the transition period.
IA Follow-Up:	Query has been implemented. Recoupment of overpayment to be reviewed biannually with Internal Audit. The Benefit Recoupment Report has been created, refer to Benefit Recoupment Report 2021.pdf

OBSERVATION #3 - CERTIFICATION LETTERS

Process Owner:	MEMBER SERVICES
Completion Date:	04/07/2021
Action Plan:	Management agreed to the following recommendation: OCERS' management should consider sending a certification letter to payees over a selected age to confirm the status of the payee. Management should consider stopping benefit payments if OCERS does not receive a response after a reasonable number of attempts in order to incentivize the payee to return the letter. OCERS' management should also consider the costs/benefits of hiring a third party to perform random physical alive and well checks with payees that meet a given profile. However clear communication will need to be developed as the payees within this demographic may be the hardest to reach. In addition, the implications to payee's medical insurance needs to be considered any time a benefit is suspended.

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 Process Owner(s): ALL

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IA Follow-Up: After Member Services management discussed formulating a formal policy addressing when such certification letters should be sent and to whom after the result of a cost benefit analysis to be performed. Certification letters are sent to all international payees. Member Services relies on the death match file for updates to domestic members.

OBSERVATION #4 - DEATH DATA VENDORS

Process Owner: MEMBER SERVICES

Completion Date:

Action Plan: Management agreed to the following recommendation: OCERS management should consider using only death audit vendors that hire external auditors to review its client data security controls. OCERS should require that death audit vendors provide copies of the audit report and the audit results to OCERS on an annual basis for review. OCERS management should consider using the RFF process to compare the services of death audit vendors and obituary review service vendors. Quality of services, price, and data security controls of vendors should be compared.

IA Follow-Up: Management to discuss the approach for obtaining and reviewing vendor security report on an entity wide approach, with a completion date of 6/30/2023. This observation and action plan will be tracked under the ITGC audit

OBSERVATION #5 - MEMBER BANKING INFORMATION WITHIN V3

Process Owner: MEMBER SERVICES

Completion Date: 09/23/2021

Action Plan: Management agreed to the following recommendation: To reduce the possibility of fraudulently diverting benefit payments for deceased members, OCERS should implement automated checks and balances within the V3 system to ensure that no one employee can unilaterally change a payee's banking information without supervisory approval. The resulting change to V3 may require an additional change order to reconfigure the V3 system. However, the headline risk to OCERS outweighs the financial cost of making such a change.

IA Follow-Up: Workflow approvals were reviewed by Internal Audit. An audit in member banking to be proposed as a future audit.

OBSERVATION #6 - PRO-RATING FINAL PAYMENT FOR DECEASED MEMBERS

Process Owner: MEMBER SERVICES

Completion Date: 02/25/2021



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Action Plan: OCERS' management should consider the costs versus benefits of prorating a deceased member's final monthly benefit payment based upon the actual date of death versus making a full payment. V3 is not configured to calculate a prorated final benefit payment and a prorated initial continuance benefit payment effective the day after death for the remainder of the month. OCERS would have to pay additional costs to have Vitech reconfigure V3 and for OCERS' employees and consultants to test the changes. The estimated cost of reconfiguring and testing V3 to prorate the final benefit payment, the initial continuance payment, and payroll deductions is estimated by Vitech at \$144,000. In addition, management estimates that testing of the system changes would need to be done by staff or consultants at an estimated cost of \$150,000. A prorated final benefit policy would also result in more overpayments for Member Services to pursue for collection since the benefit payment is paid on the first of the month. Under current policy, deaths reported to OCERS in the month following death allows enough time for Member Services to terminate the benefit with no need to prorate. Under a prorated policy, it would be impossible for Member Services to prorate the final payment on the 1st of the month if the death was reported in the month after death. Member Services would possibly need to cross train staff in collection efforts to accommodate such an increase in collection efforts.

Management Response
 Management considered the costs versus benefits of adopting a proration of the final benefit payment policy, but determined to continue the current practice of paying in full the final month's benefit. Prorating the member's final payment and survivor continuance first payment introduces additional complexity to the administration of the system and would require additional staff in Member Services and possibly Finance, in addition to the V3 configuration changes. Retiree payroll is typically

IA Follow-Up: Management considered the costs versus benefits of adopting a proration of the final benefit payment policy, but determined to continue the current practice of paying in full the final month's benefit.

OBSERVATION #7 - DEBT COLLECTION VERSUS DEBT FORGIVENESS

Process Owner: MEMBER SERVICES

Completion Date: 04/17/2020

Action Plan: Management agreed to the following recommendation: For overpayments in which Member Services has exhausted internal collection efforts, Member Services should inquire of the CEO and/or Board to forgive or partially forgive overpayments to these deceased payees or possibly make use of a collections agency for additional collection efforts.

IA Follow-Up: OCERS' Board Policy Write Off Policy now provides guidelines regarding when OCERS is permitted to forgo collection of amounts overpaid by or owing to OCERS, and when OCERS will not be required to make corrective distributions to OCERS members or their beneficiaries.

Project: 19 - Audit of V3 Benefit Setup Process (2016)

REPORT DATE: 07/21/2016

CLOSED

Closed Observations: 2

OBSERVATION #1 - USE OF 2,088 HOURS FOR BENEFIT CALCULATION

Process Owner: MEMBER SERVICES

Completion Date: 04/01/2020

Action Plan: Management will follow up with staff regarding the applicability of 2,088 to all retiring members and will review all benefits established in V3 to ensure the appropriate salary was used regardless of status. The part-time member's benefit identified by Internal Audit as being incorrect will be recalculated to reflect the salary associated to 2,088 hours.

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 Process Owner(s): ALL

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IA Follow-Up: IA reviewed the FAS recalculations performed by Member Services.

OBSERVATION #2 - V3 WORKFLOW PROCESS

Process Owner: MEMBER SERVICES

Completion Date: 04/02/2020

Action Plan: The workflow module in V3 was an area that contained defects when we went live with the new system which prevented effective use. The majority of the defects have been addressed and staff is utilizing the workflows as part of their daily operations. However, we have found that a workflow can be completed without all of the steps being marked individually and as a result additional modifications to the overall configuration are being discussed. Management will work with staff to ensure that proper use of the workflow is being followed for all benefit setups. In addition, we will review the workflow steps as currently configured and make enhancements as needed to ensure all critical steps in the process are appropriated captured.

IA Follow-Up: IA confirmed worksteps are completed and V3 enhancements were implemented.

Project: 20 - Audit of OCERS' Service Credit Purchase Process (2016)

REPORT DATE: 11/26/2016

CLOSED

Closed Observations: 2

OBSERVATION #1 - WORK IN PROCESS REPORTING

Process Owner: MEMBER SERVICES

Completion Date: 04/07/2021

Action Plan: OCERS' management agrees to initiate discussions with Vitech for best cost-benefit solutions to building work-in-process reporting to track the status of buybacks throughout its business processes to provide additional management oversight of staffing and resources; track compliance with business goals; and improve customer service response times to members.

IA Follow-Up: IA has verified that OCERS has implemented a work-in-process tracking database within SharePoint.

OBSERVATION #2 - RECONFIGURE V3 DATA ENTRY SHEET

Process Owner: MEMBER SERVICES

Completion Date: 06/04/2019

Action Plan: Management agreed to investigate the costs versus benefits of reconfiguring V3's SCP datasheet for faster data entry.

IA Follow-Up: IA verified that OCERS has implemented an automated data entry process for SCP calculations.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Project: 21 - Audit of OCERS' Bank Wire and ACH Transfer Process (2016)

REPORT DATE: 11/30/2016

CLOSED

Closed Observations: 5

OBSERVATION #1 - FINANCE REVIEW OF NEW MANAGER FUNDINGS

Process Owner:	FINANCE
Completion Date:	04/23/2019
Action Plan:	Management agreed to the following recommendation: Before sending a written wire request to State Street to fund a new manager or rebalance the investment portfolio, the Investments Divisions should also obtain approval from authorized initiators within the Finance Division. The Finance Division should review the wire transfer request letter prepared by the Investments Division against the money manager's wire instructions or funding agreement. Management concurs that the Finance Department should review wire transfer request letters prepared by the Investment Department and compare against the investment manager's wire instructions or funding agreement for transactions related to initial funding of investments and portfolio rebalancing transfers.
IA Follow-Up:	Internal Audit confirmed Finance is following proposed audit report resolution response as noted via email with appropriate attachments and inclusion of both Finance and Investments in confirmation email.

OBSERVATION #2 - VERIFICATION CALL BACKS ON ALL WIRE TRANSFER AMOUNTS

Process Owner:	FINANCE
Completion Date:	05/03/2019
Action Plan:	Management agreed to the following recommendation: Finance Division should instruct State Street to telephone OCERS' authorized verifiers to verify wire transfer request letters for amounts under \$100,000. Management concurs that all wires should be verified regardless of amount. State Street has a standard limit where call backs are not completed on wires under \$100,000. OCERS' Client Service Representative at State Street is looking into whether the limit can be removed and call backs placed on all wires.
IA Follow-Up:	IA verified that under the new eCFM (State Street's web-based wire transfer system) that transfer amounts under \$100,000 require dual approval.

OBSERVATION #3 - TIMELY REVIEW OF BANK ACCOUNT RECONCILIATIONS

Process Owner:	FINANCE
Completion Date:	05/03/2019
Action Plan:	Management agreed to the following recommendation: In addition to the daily reconciliations of online bank activity, the Finance Division should perform monthly bank reconciliations ideally within 30 days after month-end. Management concurs that bank reconciliations should be performed and reviewed on a timely basis.

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Management Action Plan Status Report

Project(s): ALL
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 Process Owner(s): ALL

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IA Follow-Up: IA verified that the monthly Wells Fargo bank reconciliation is being performed in a timely manner.

OBSERVATION #4 - SYSTEM LIMITS FOR WIRE TRANSFER AMOUNT AUTHORIZATIONS

Process Owner: FINANCE

Completion Date: 04/23/2019

Action Plan: Management agreed to the following recommendation: Management should consider decreasing the cumulative dollar limit for daily wire transfers within CEO Portal® to appropriate business levels. Current monthly wire transfer activity is approximately \$5.2 million. Management concurs that the cumulative dollar limit for daily wire transfers can be reduced from its current limit of \$20 million to \$6 million.

IA Follow-Up: Cumulative daily dollar limit for wire transfers has been reduced from \$20 million to \$6 million, and has been adjusted to \$8 million based on current activity.

OBSERVATION #5 - ENCRYPTION OF PAYROLL FILE

Process Owner: FINANCE

Completion Date: 05/03/2019

Action Plan: Management agreed to the following recommendation: Management should consider encrypting the ACH file before uploading to Wells Fargo's CEO Portal® in order to add another layer of protection over payees' confidential banking information. Encrypted files intercepted by fraudsters are unreadable.

IA Follow-Up: IA verified that the monthly payroll file is encrypted before it is sent to Wells Fargo bank.

Project: 14 - Audit of City of San Juan Capistrano Payroll Transmittals (2017)

REPORT DATE: 03/22/2017

CLOSED

Closed Observations: 4

OBSERVATION #1 - MANUAL TRANSMITTAL FILE ADJUSTMENTS

Process Owner: EMPLOYER

Completion Date: 08/11/2020

Action Plan: Management agreed to the following recommendation: San San Juan Capistrano will submit manual payroll adjustments into V3 that contain the payroll records required by OCERS for every subsequent pay period until year-end.

IA Follow-Up: IA noted that SJC has submitted manual payroll adjustments into V3 required by OCERS.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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OBSERVATION #2 - CONTRIBUTION BASIS DATES

Process Owner:	EMPLOYER
Completion Date:	04/27/2020
Action Plan:	San Juan Capistrano's V3 transmittal file should reflect the correct reciprocal start date or the correct enrollment date with OCERS in the transmittal file field labeled "Reported Contribution Basis Date" in order to prevent these payroll exceptions from occurring again in V3. San Juan Capistrano concurs with this recommendation, which has been addressed based on information provided by OCERS' Member Services to SJC's Payroll Accountant.
IA Follow-Up:	IA examined a recent V3 payroll transmittal exception report for PP#2, 2020 and noted there were no exceptions related to reported contribution basis dates.

OBSERVATION #3 - EARNABLE SALARY RECORDS

Process Owner:	EMPLOYER
Completion Date:	08/11/2020
Action Plan:	San Juan Capistrano will submit manual payroll adjustments into V3 that contain earnable salary payroll records required by OCERS during each pay period that the employee is out on leave of absence.
IA Follow-Up:	IA noted that SJC has submitted manual payroll adjustments for employees Away On Leave into V3, as required by OCERS.

OBSERVATION #4 - INCORRECT AGE OF ENTRY

Process Owner:	MEMBER SERVICES
Completion Date:	05/21/2019
Action Plan:	Member Services will notify the member that there was an error in the contribution basis date used to collect contributions since their date of entry. Member Services will update V3 accordingly and finalize the calculation of contributions due from the member plus interest. OCERS staff will offer the member a payment plan pursuant to our standard process and work with SJC to establish the collection via payroll deductions from the member's biweekly paycheck.
IA Follow-Up:	IA verified that the Member Services communicated the age of entry error to the member and that the member repaid undercollected contributions via payroll adjustments.

Project: 24 - Audit of OCERS' Reciprocity Process (2017)

REPORT DATE: 08/02/2017

CLOSED

Closed Observations: 3



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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OBSERVATION #1 - MEMBER EDUCATIONAL EFFORTS

Process Owner:	MEMBER SERVICES
Completion Date:	05/21/2019
Action Plan:	Consideration will be given to the following: OCERS should take additional steps to educate members of the benefits of reciprocity and the importance of timely notifying OCERS of previous public service. OCERS' welcome letters to new members could also include existing pamphlets describing the benefits of reciprocity. Furthermore, OCERS should inquire with the County if it would allow OCERS to present the benefits of reciprocity during the County's lunch time seminars available to County staff. In addition, staff should use the OCERS' At Your Service newsletter, the County Connection magazine, and other sources of communications with members to publicize the need for members to notify OCERS early about their eligibility for reciprocity. Member Services will work with Legal on the following: OCERS should consider recognizing a member's reciprocity only on a go-forward basis from the date of the member's reciprocity request, after confirming eligibility with the reciprocal system.
IA Follow-Up:	IA verified that quarterly newsletters to OCERS membership discussed the benefits of establishing reciprocity with other systems as well as the steps necessary to establish reciprocity. IA verified that OCERS has put in place a self-certification process to recognize reciprocity on a go-forward basis pending verification with the reciprocal system.

OBSERVATION #2 - CALCULATION OF OCFA RECIPROCITY REFUNDS

Process Owner:	MEMBER SERVICES
Completion Date:	06/05/2019
Action Plan:	Management agreed to the following recommendation: Member Services staff should be trained, with the assistance of OCFA payroll personnel, in how OCFA calculates reciprocity refunds so that Member Services can add its own secondary review process over OCFA reciprocity refunds. Management has been in contact with the payroll team at OCFA and we have taken steps to reinstate the review process.
IA Follow-Up:	IA verified that OCERS Member Services is now calculating OCFA's reciprocity refund calculations. The calculations are reviewed by management.

OBSERVATION #3 - WRITE OFF

Process Owner:	MEMBER SERVICES
Completion Date:	06/05/2019
Action Plan:	Management agreed to the following recommendation: Member Services should write off the \$36 due to immateriality or attempt to recover the \$36 overpayment from the member.
IA Follow-Up:	IA verified that Member Services has written off the amount as per OCERS Write-Off policy.

Project: 26 - Audit of Orange County Fire Authority (2018)

REPORT DATE: 10/23/2018

CLOSED

Closed Observations: 7



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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OBSERVATION #1 - CONTRIBUTIONS - VACATION EXCESS PAY

Process Owner:	MEMBER SERVICES
Completion Date:	04/02/2019
Action Plan:	<p>Management agreed to the following recommendation: On a go-forward basis, OCERS should now require that OCFA and its Legacy employees pay employer and employee contributions on the "Vacation Excess" pensionable pay item on a bi-weekly basis. This would also require OCERS to reconfigure the "Vacation Excess" pay item in V3 to expect bi-weekly contributions from OCFA via the bi-weekly payroll transmittal process.</p> <p>OCERS management agrees that any pensionable pay item should be reported biweekly and subject to employer and employee contributions. This would include "Vacation Excess" for Legacy members employed at OCFA. OCERS is in the process of reviewing the pay of all Plan Sponsors so that OCERS' management can ensure accurate reporting on a biweekly basis as well as consistency across the organization.</p>
IA Follow-Up:	<p>Internal Audit confirmed OCERS management sent a memo to OCFA on the Vacation Excess contributions and that V3 was configured to address the bi-weekly contributions.</p> <p>IA confirmed that OCFA and Legacy OCFA employees are paying contributions directly on VE (Vacation Excess) Pay.</p>

OBSERVATION #1 - CONTRIBUTIONS - VACATION EXCESS PAY

Process Owner:	EMPLOYER
Completion Date:	04/02/2019
Action Plan:	<p>Management agreed to the following recommendation: On a go-forward basis, OCERS should now require that OCFA and its Legacy employees pay employer and employee contributions on the "Vacation Excess" pensionable pay item on a bi-weekly basis. This would also require OCERS to reconfigure the "Vacation Excess" pay item in V3 to expect bi-weekly contributions from OCFA via the bi-weekly payroll transmittal process.</p> <p>OCERS management agrees that any pensionable pay item should be reported biweekly and subject to employer and employee contributions. This would include "Vacation Excess" for Legacy members employed at OCFA. OCERS is in the process of reviewing the pay of all Plan Sponsors so that OCERS' management can ensure accurate reporting on a biweekly basis as well as consistency across the organization.</p>
IA Follow-Up:	<p>Internal Audit confirmed OCERS management sent a memo to OCFA on the Vacation Excess contributions and that V3 was configured to address the bi-weekly contributions.</p> <p>IA confirmed that OCFA and Legacy OCFA employees are paying contributions directly on VE (Vacation Excess) Pay.</p>

OBSERVATION #2 - CONTRIBUTIONS - ON CALL PAY

Process Owner:	MEMBER SERVICES
Completion Date:	04/02/2019
Action Plan:	<p>Management agreed to the following recommendation: On a go-forward basis, OCERS should now require that OCFA report "On Call" pay to Legacy members as a pensionable pay item in its automated bi-weekly payroll transmittals and that OCFA and its employees pay both employer and Legacy employee contributions on a bi-weekly basis.</p> <p>OCERS management agrees that any pensionable pay item should be reported biweekly and subject to employer and employee contributions. This would include "On Call" pay for Legacy members employed at OCFA. OCERS is in the process of reviewing the pay of all Plan Sponsors so that OCERS' management can ensure accurate reporting on a biweekly basis as well as consistency across the organization.</p>



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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IA Follow-Up: Internal Audit confirmed OCERS management sent a memo to OCFA on the On Call contributions.
 IA confirmed that both OCFA and Legacy OCFA employees are paying contributions directly on (On Call) Pay.

OBSERVATION #2 - CONTRIBUTIONS - ON CALL PAY

Process Owner: EMPLOYER

Completion Date: 04/02/2019

Action Plan: Management agreed to the following recommendation: On a go-forward basis, OCERS should now require that OCFA report "On Call" pay to Legacy members as a pensionable pay item in its automated bi-weekly payroll transmittals and that OCFA and its employees pay both employer and Legacy employee contributions on a bi-weekly basis. OCERS management agrees that any pensionable pay item should be reported biweekly and subject to employer and employee contributions. This would include "On Call" pay for Legacy members employed at OCFA. OCERS is in the process of reviewing the pay of all Plan Sponsors so that OCERS' management can ensure accurate reporting on a biweekly basis as well as consistency across the organization.

IA Follow-Up: Internal Audit confirmed OCERS management sent a memo to OCFA on the On Call contributions.
 IA confirmed that both OCFA and Legacy OCFA employees are paying contributions directly on (On Call) Pay.

OBSERVATION #3 - CONTRIBUTION DISCREPANCY TRACKING REPORT

Process Owner: INFORMATION TECHNOLOGY

Completion Date: 04/02/2019

Action Plan: In June 2018, OCERS incorporated the necessary changes to the V3 "Contribution Discrepancy Tracking Report" within a system enhancement to V3. The cost to incorporate these changes was approximately \$7,800.

IA Follow-Up: 1. IA confirmed that modifications to the report were made, tested, and put into production.
 2. IA obtained user testing documentation indicating that the modifications were made, tested, approved and put into production. IT also pulled a recent report with these modifications incorporated.

OBSERVATION #4 - OCFA'S MOU FOR EMPLOYER PAID PICKUPS OF LEGACY EMPLOYEE CONTRIBUTIONS DOES NOT REFLECT ACTUAL PAYROLL PROCESSES.

Process Owner: EMPLOYER

Completion Date: 04/02/2019

Action Plan: OCFA agrees that this needs to be corrected, but not by a side letter. Effective pay period 21 (pay date 10/19/18) OCFA management corrected the OCFA payroll interface to the OCERS' V3 system to be consistent with the Firefighter MOU. Per CERL 31581.2 the employer paid pickup of employee contributions are to be considered vested with the employee.

IA Follow-Up: Internal audit verified that OCFA employer paid pickups of employee contributions are properly classified as § 31581.2 pickups on the transmittal files.

OBSERVATION #5 - TRANSITION TO OCFA PAYROLL MANAGER



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Process Owner:	EMPLOYER
Completion Date:	04/02/2019
Action Plan:	As discussed and agreed to by OCERS Internal Auditor, this is not reflective of an internal control weakness for OCFA. The original intent of having both OCFA and OCERS staff maintain the spreadsheets was to prevent the errors that would occur due to either rounding differences or applying actuarial discounts differently. OCFA staff will take over the maintenance of the spreadsheets from OCERS Director of Technology. OCERS would need to ensure that the OCFA rates reflected in the rate spreadsheets provided by OCFA staff to OCERS are the same rates as those entered into the V3 system. The above transition from OCERS to OCFA took place beginning with Pay Period #14 in 2018.
IA Follow-Up:	Internal audit confirmed that maintenance of the spreadsheets has transitioned to OCFA's payroll manager.

Project:	22 - Audit of Orange County Superior Court Payroll Transmittal (2018)
REPORT DATE:	11/08/2018
Closed Observations:	6

CLOSED

OBSERVATION #1 - CRR PAY CERTIFICATION

Process Owner:	EMPLOYER
Completion Date:	04/03/2019
Action Plan:	Superior Court will implement a process in October 2018 by which Court Reporters receiving CRR pay must provide proof of active certification (such as proof of training transcripts over a three year period) within 90 days or have the CRR pay removed. Record of this will be placed in the employee's electronic personnel file. Additionally, a reminder in the Court's training system will be flagged on these employees to check for certification every 3 years.
IA Follow-Up:	IA confirmed a notification had been distributed noting the requirements for CRR pay and CRR documentation for court reporters has been recorded.

OBSERVATION #2 - QRR PAY CERTIFICATION

Process Owner:	EMPLOYER
Completion Date:	04/03/2019
Action Plan:	Superior Court will implement annually signed attestations beginning October 2018. Employees currently receiving QRR pay will need to complete the annual 45 day attestation within 90 days of the announcement to maintain the QRR pay. If no attestation is received, QRR pay will be removed for that employee. The Court will verify that at least 45 days of realtime court reporting services have been worked by the employee over the course of the last year.
IA Follow-Up:	IA confirmed a notification had been distributed noting the requirements for QRR pay and QRR documentation for court reporters has been recorded

OBSERVATION #3 - SUPERIOR COURT DOES NOT MONITOR INDEPENDENT CONTRACTOR COURT REPORTERS WHO ARE OCERS' RETIREES FOR COMPLIANCE WITH CERL AND PEPR 960 HOUR RULE LIMIT.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Process Owner:	EMPLOYER
Completion Date:	04/10/2019
Action Plan:	Superior Court will monitor hours worked for all retired independent contractor court reporters to ensure they do not work more than 960 hours in a fiscal year. A new report has been established through Superior Court's RITS tracking system and will be monitored monthly. Current retired independent contractors who have already worked more than 960 hours in the current fiscal year will not work hours until the next fiscal year.
IA Follow-Up:	IA confirmed Superior Court is monitoring the hourly limit for retired members and the retired members have not exceeded 960 hours.

OBSERVATION #4 - SUPERIOR COURT'S HR DEPARTMENT DOES NOT HAVE POLICIES AND PROCEDURES IN PLACE TO DETERMINE IF THE INDEPENDENT CONTRACTOR STATUS FOR ITS INDEPENDENT CONTRACTORS COMPLIES WITH IRS RULES

Process Owner:	EMPLOYER
Completion Date:	01/05/2022
Action Plan:	Superior Court to review independent contractors working for court reporting services, court language services and court technology to determine if their independent contractor status complies with IRS rules defined for independent contractors.
IA Follow-Up:	Superior Court no longer use independent contractors as court reporters. New employee classification/class spec for "Assignment Court Reporter" was created.

OBSERVATION #5 - EMPLOYEES ON-LEAVE STATUS

Process Owner:	EMPLOYER
Completion Date:	04/23/2019
Action Plan:	Orange County Superior Court currently uses the CAPS+ system that is administered by Orange County Auditor Controller. The current CAPS+ system has known limitations for employees in an "O" (unpaid leave) status. These employees are not included on the regular transmittal file to OCERS and thus no earnable record is generated. They do appear on the missing member report from OCERS Auditor Controller is working on a long-term solution for "O" status employees to still appear on the OCERS transmittal file. There is no current timeline for implementation. However, in the meantime, Superior Court's human resources staff will create updated employment records indicating a "Leave of Absence" in V3 for the above employees. Also, on a go-forward basis Superior Court's human resources staff will perform the same step in V3 for each employee who becomes classified with the above "O" status in CAPS+. This will allow OCERS personnel to more easily identify the reason for gaps in earnable salary records until the point in time when Auditor-Controller can correct the above CAPS+ limitations.
IA Follow-Up:	Internal Audit and management agreed that currently existing controls are sufficient to address the risk of missing pay periods. Internal Audit verified in V3 the automated messages that help the retirement specialist identify potential missing pay periods when retiring a member.

OBSERVATION #6 - MEMBER AFFIDAVIT

Process Owner:	MEMBER SERVICES
Completion Date:	04/03/2019



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Action Plan: Beginning in 4th quarter 2018, OCERS' Member Services will run a recently updated V3 report ("Missing Member Affidavit" report) that flags any member account without the Member Affidavit document type. OCERS' Member Services' Payroll Transmittal Team will monitor this quarterly report and contact plan sponsors to request a completed Member Affidavit for any members flagged in the above report.

IA Follow-Up: Confirmed missing Member Affidavit was received and Member Services has scheduled the Missing Member Affidavit to be run on a monthly basis.

Project: 29 - Audit of Orange County Transportations Authority (2018)

REPORT DATE: 11/12/2018

CLOSED

Closed Observations: 1

OBSERVATION #1 - CONTRIBUTIONS ON PTO CASHOUTS

Process Owner: MEMBER SERVICES

Completion Date: 04/02/2019

Action Plan: OCERS is in the process of reviewing and evaluating all pay items in order to categorize and document in policy each item of compensation earnable for Legacy members and pensionable compensation for PEPRAs members. OCERS intends to present this policy to the OCERS Board for review and approval by 1st quarter of 2019.

The majority of OCERS' plan sponsors do not apply the contribution rates to cashouts (as does OCTA); instead, they rely on the actuarial cash out assumption (Load Factor) to pay for the actuarial cost of adding vacation pay and sick pay to a Legacy member's FAS calculation upon retirement. OCERS believes this is the better approach and will incorporate this in the new policy in order to have consistency among all plan sponsors. In addition to the new policy, by 1st quarter of 2019, OCERS intends to distribute a circular letter to all plan sponsors informing them of this approach to not collect contributions on these cashouts.

IA Follow-Up: Internal Audit confirmed the circular letters have been posted to the OCERS website.

Project: 31 - Disability Payment Audit (2018)

REPORT DATE: 01/28/2019

CLOSED

Closed Observations: 1

OBSERVATION #1 - DISABILITY PAYMENT CALCULATION

Process Owner: MEMBER SERVICES

Completion Date: 01/05/2022



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Action Plan:	Member Services will be continuing to review with increased diligence or newly implementing to ensure accuracy of Disability benefits that are setup: <ul style="list-style-type: none"> • Ensure that all disability benefits are peer audited (FAS calc) before benefit setup, including disability recalculations (from Service Retirement to SCD, Service Retirement to NSCD, NSCD to SCD) • Verify selected data points on the "New Benefit Setup Validation Report" (which will contain a subset of 16 reports – expected to be ready by Q3 2019) • Additional training will be provided to the RPS assigned to the disability department (this was a new position in 2018). These types of benefits are more specialized than regular retirement setups, and the Disability RPS will be trained to look for specific factors that affect the benefit, such as gaps in service, measuring period compression, manual calculations of FAS, recalculation issues.
IA Follow-Up:	IA confirmed action plan has been implemented. A new Disability Process has been implemented along with the appropriate training.

Project: 36 - 1943 2019 BCDR Audit

REPORT DATE: 10/17/2019

CLOSED

Closed Observations: 6

OBSERVATION #1 - OCERS BUSINESS CONTINUITY POLICY DOCUMENT HAS EXISTED SINCE 2015 BUT THE DOCUMENTATION OF THE APPROVALS WERE NOT FORMALIZED.

Process Owner:	FINANCE
Completion Date:	12/13/2019
Action Plan:	We believe that the current document titled "OCERS Business Continuity Policy" would be more accurately described as a program document. As such, our plan is to retitle the document to be OCERS Business Continuity Program and review it with the CMT making updates as deemed appropriate. The Chief Executive Office will then formally approve the updated document. The updated document will be reviewed every three years for necessary changes. As an extension to this observation, staff will also recommend to the Board of Retirement a change to the CEO Charter the next time the Charter is due for a review. The change will be to specifically delegate to the CEO the duty of implementing, testing and maintaining a Business Continuity Program.
IA Follow-Up:	IA confirmed the Business Continuity Program documents has been formally approved by the CMT.

OBSERVATION #2 - THE BUSINESS CONTINUITY PROGRAM STANDARD OPERATING PROCEDURES DOCUMENT HAS EXISTED SINCE 2015 BUT THE DOCUMENTATION OF THE APPROVALS BY THE CRISIS MANAGEMENT TEAM WERE NOT FORMALIZED.

Process Owner:	FINANCE
Completion Date:	02/26/2020
Action Plan:	We concur with the observation and will formalize the approval of the document.
IA Follow-Up:	IA confirmed the Business Continuity Standard Operating Procedure document has been formally approved by the CMT.

OBSERVATION #4 - THE TABLETOP EXERCISE DID NOT FULLY VALIDATE THE ORGANIZATION'S PREPAREDNESS AT AN ENTITY OR DEPARTMENT LEVEL IN THE EVENT OF A DISASTER.

Executed: 3/23/2023 12:05:38 PM
 Executed By: OCERS\dkim

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Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Process Owner:	EXECUTIVE
Completion Date:	12/06/2019
Action Plan:	<p>We believe the program is ready to enhance future exercises by including more functional testing. As an example, during our July 2019 tabletop, a component of the Finance team was asked to work from home in order to test their connectivity and functionality. In future exercises, we will expand the scenarios to encompass various departments within the organization such that over time, all departments with a recovery plan will have participated in a functional exercise. For upcoming exercises, we will create scenarios which allow us to include departments which have not yet participated in an exercise.</p> <p>We have added an item to the October 2019 Crisis Management Team meeting to discuss timing of the expansion of functional testing efforts as well as the importance of referring to the Crisis Management Plan and Department Recovery Plans during exercises. Our recommendation will be to conduct IT testing as part of our January exercises and deeper functional testing as part of our July exercises.</p>
IA Follow-Up:	IA confirmed the Q4 CMT meeting discussed expanding the functional testing with plans to start with IT testing in January.

OBSERVATION #5 - MANAGEMENT PERSONNEL ARE NOT CONSISTENTLY UPDATING THE RELEVANT INFORMATION IN THE BUSINESS IMPACT ANALYSIS AND DEPARTMENT RECOVERY PLAN DOCUMENTS IN A TIMELY MANNER.

Process Owner:	EXECUTIVE
Completion Date:	12/13/2019
Action Plan:	<p>The CMT Leader, OCERS CEO, will remind the CMT at least two weeks prior to the quarterly Business Continuity meetings to update the appropriate Business Continuity documents to reflect any changes in personnel, technology or vendors since the last meeting. Additionally, the CMT Leader will add as a standing agenda item for the quarterly meetings a reminder that the CMT should update the appropriate Business Continuity documents. The plan owners will update the necessary documents based on the reminder at least on a quarterly basis.</p> <p>The CMT Leader will also work with Administrative Services to add a workstep in the off-boarding and on-boarding processes for the plan owners to assess the organizational impact of the terminated or new employee to the Business Continuity documentation. Based on the assessment, the plan owner will update the documentation accordingly.</p>
IA Follow-Up:	<p>IA was able to confirm:</p> <ul style="list-style-type: none"> - the BCDR CMT Meeting email contained a reminder for the CMT to review/update their documents - the agenda did contain an item notifying CMT members to update their documents - a workstep was added to the on-boarding and off-boarding checklist

OBSERVATION #7 - 7. THE IDENTIFICATION OF ALTERNATIVE FACILITY LOCATIONS HAS NOT BEEN FORMALLY DOCUMENTED AND APPROVED IN THE BCDR SYSTEM.

Process Owner:	EXECUTIVE
Completion Date:	12/13/2019
Action Plan:	<p>The Business Continuity Coordinator team is currently working with the County of Orange to formalize an agreement to use County facilities as an alternate workspace location in the event of a localized disaster at OCERS headquarters. The County requested OCERS to complete a questionnaire, which was completed and sent back to the County on August 8, 2019. The most recent conversations with the County occurred on August 21, 2019; we will schedule a follow-up call with County representatives in the very near future.</p> <p>Once the agreement is formalized, all program documentation will be updated to include the alternate workspace site information and an action item to review the alternate workspace location on an annual basis will be created. This action item will serve to ensure that the alternate workspace location is still viable. The BC Coordinator team will continue to refine the alternate workspace options for additional scenarios. In addition, the BC Coordinators will create a schedule detailing space needs over time.</p>

Executed: 3/23/2023 12:05:38 PM
 Executed By: OCERS\dkim

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Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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IA Follow-Up: IA confirmed the Alternate Facility plan has been formally approved. Additionally, the BC Coordinator follow-ed up with the County contact. Progress is being made to secure a location for OCERS.

OBSERVATION #8 - 8. KEY MEMBERS OF THE CRISIS MANAGEMENT TEAM (CMT) ARE NOT CONSISTENTLY TAKING THE ASSIGNED ELECTRONIC RESOURCES WHEN TRAVELING FROM THE OFFICE.

Process Owner: EXECUTIVE
Completion Date: 12/06/2019
Action Plan: The CMT Leader, OCERS CEO, will remind the CMT at the quarterly Business Continuity meetings of the importance of taking the necessary resources (laptops) when traveling away from the office.
IA Follow-Up: IA confirmed the Q4 CMT agenda included a reminder to take the necessary resources when traveling.

Project: 44 - 1944 - Finance Benefits Audit

REPORT DATE: 01/13/2020

CLOSED

Closed Observations: 4

OBSERVATION #1 - V3'S PRE DISBURSEMENT REGISTER REPORT CONTAINS PAYEE'S FULL SOCIAL SECURITY NUMBERS AND FULL NAMES.

Process Owner: FINANCE
Completion Date: 12/09/2019
Action Plan: Build 8.14 will include the replacement of full Social Security Numbers with OCERS ID# (OID) and/or OIP# on the Pre-Disbursement Register Report and Disbursement Schedule.
IA Follow-Up: IA confirmed the updated Disbursement Schedule Detail Report and Pre-Disbursement Register Report now display the OID numbers in place of SSNs.

OBSERVATION #2 - FINANCE DOES NOT SYSTEMATICALLY DELETE V3'S ACH FILES CONTAINING BENEFICIARIES' BANKING INFORMATION FROM LOCAL HARD DRIVES.

Process Owner: FINANCE
Completion Date: 03/14/2022
Action Plan: Management will establish procedures to delete copies of the ACH text files from local hard drives after a copy of the file has been uploaded to Wells Fargo.
 Finance will work with IT and Vitech to consider the cost/benefit of changing the ACH file process to directly upload an ACH file once it has been created in V3 and directly downloading the file to a secured network folder in the Finance directory.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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IA Follow-Up: IA confirmed with the Finance team the deletion of the ACH file from the local hard drive is now being performed by management. IA reviewed the procedures updated to reflect this practice. Due to COVID, the cost/benefit analysis has been moved to 2021.
 2/3/22 - OCERS IT was able to modify the PM Export file process. The PM Export is now going to be run as a batch export file and will automatically save into a new secured folder location in the Finance folder on the F drive. In addition, access to run the PM Export is restricted to the Finance Accountant Auditor, Senior Accountant Auditor and Supervisor roles
 3/14/22 - IA was able to confirm the PM Export file automatically uploads to a secured folder with limited access. IA also confirmed a documented procedure exists.

OBSERVATION #3 - FINANCE PROCEDURES MANUAL RELATED TO BENEFIT AND LUMP SUM PAYMENTS (I.E. PAYROLL) DO NOT REFLECT ALL CURRENT PROCEDURES.

Process Owner: FINANCE
Completion Date: 10/05/2020
Action Plan: Finance will be creating and updating stand-alone procedures for all of its processes as part of an organization-wide 2020 Business Plan Initiative.
IA Follow-Up: Internal Audit reviewed the documented lump sum payroll procedures.

OBSERVATION #4 - GENERAL LEDGER ENTRIES TO TRANSFER EMPLOYEE CONTRIBUTION RESERVES WERE NOT BOOKED TIMELY.

Process Owner: FINANCE
Completion Date: 12/20/2019
Action Plan: In the instance noted here, processes with material impact to operations and financials were performed during the unforeseen long-term leave of absence of one of the Finance Managers, but in the future, Management will document approval of decisions to postpone processes due to extenuating circumstances noting impact and materiality of postponement.
IA Follow-Up: IA confirmed the Finance Risk and Control Matrix (RACM) was updated to include additional documentation requirement.

Project: 40 - 1945- FAS Pay Items Audit

REPORT DATE: 06/04/2020

CLOSED

Closed Observations: 3

OBSERVATION #1 - A FORMAL RECONCILIATION WAS NOT PERFORMED TO ENSURE THE PAY ITEMS REPORTED TO THE BOARD ACCURATELY AND COMPLETELY CORRESPONDED WITH THE CONFIGURATION IN V3.

Process Owner: MEMBER SERVICES
Completion Date: 09/16/2021



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Action Plan: Member Services will address the variances noted in the audit, which includes making the appropriate configuration updates to the V3 system, communicating the updates to the Employers and following procedures in the OCERS' Overpaid and Underpaid Plan Contributions Policy in regards to the over and underpayment of contributions of the variances noted. At the next update to the Board, Member Services will include the corrections identified in this audit for pensionable attributes of relevant pay items.
 Going forward, Member Services will develop a process to perform a full reconciliation of the pay item file presented to the Board with the pay item configurations in the V3 system periodically, at least prior to the annual presentation to the Board to ensure accurate and complete reporting of pay items to the Board. Any discrepancies identified by the reconciliation will be addressed as needed.

IA Follow-Up: Internal Audit reviewed updated procedure document and annual reconciliation file.

OBSERVATION #2 - MEMBER SERVICES DOES NOT HAVE WRITTEN PROCEDURES IN REGARDS TO THE PROCESSING, REVIEW AND AUTHORIZATION OF EMPLOYER PAY ITEMS INTO V3.

Process Owner: MEMBER SERVICES

Completion Date: 09/16/2020

Action Plan: Member Services has since implemented a process to review the configurations made by OCERS IT to ensure every new or updated Pay Item is configured accurately in OCERS V3 Pension Administration System. This process will include a post review notification to all stakeholders from Member Services (IT, Member Services Director, and the Assistant CEO of External Operations) that will be kept in the same Network Directory as the rest of the supporting documentation (e.g. New Pay Item Submission Form, MOU/Side Letter Agreements, New Pay Item approvals)

In addition to the above procedure, Member Services is working with our third party vendor (Vitech) to implement a process for submitting and approving pay items within the V3 Pension Administration Software. Early analysis began prior to the work from home order.

IA Follow-Up: IA confirmed the review process of pay codes in V3 was implemented and documented. The review consisted of walking through a pay item.

OBSERVATION #3 - A PROCESS DOES NOT EXIST TO IDENTIFY UPDATES TO EMPLOYER DOCUMENTATION THAT MAY IMPACT THE LIST OF PAY ITEMS.

Process Owner: MEMBER SERVICES

Completion Date: 03/14/2023

Action Plan: Member Services is in the process of documenting all current MOU's and will draft an update to the pay item review procedure to include a section on monitoring MOU's for adjustments made by Employers to ensure Employers have obtained OCERS approval prior to implementing a new pay item.

Currently, the Employer is required to submit a "pay item request form" to OCERS for approval in order to add a new or adjust an existing pay item. This is required to be done at least two pay periods prior to implementation of the pay item in the Employer payroll. If however an Employer attempts to pass a pay item that has not been added for that Employer, the system will produce an error for the Employer when they submit the payroll. This process assists Member Services in monitoring the implementation of pay items directly by the Employer.

IA Follow-Up: IA confirmed a process and supporting documentation was implemented.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Project: 39 - 1971-IT General Controls

REPORT DATE: 06/04/2020

CLOSED

Closed Observations: 2

OBSERVATION #1 - ADMINISTRATOR ACCESS GRANTED TO THE FINANCIAL REPORTING AND INTRANET PORTAL APPLICATIONS PRESENT A HIGHER THAN NORMAL RISK DUE TO SEGREGATION OF DUTIES CONCERNS.

Process Owner:	INFORMATION TECHNOLOGY
Completion Date:	01/13/2022
Action Plan:	<p>As OCERS is in the process of issuing an RFP for a new financial accounting system, we will defer changes to our current financial accounting system, and focus on building a secure segregated system with the appropriate controls and check and balances as part of the new system to be implemented in 2021.</p> <p>Due to the size of the OCERS IT Programming group, team members share many administrative responsibilities and needs to be able to cover for other team member assignments and responsibilities when out of the office.</p> <p>Both the intranet portal and the intranet portal source code repository provide account auditing features that track all changes are made, along with the user that made the change. This information is reported daily to the IT Programming Supervisor, so that he and the IT Management team have complete visibility into any administrative operations that are performed and by whom.</p> <p>In addition to this audit trail, we have implemented a mandatory workflow process with each IT Programming Request that requires the review of a secondary team member when making changes to the intranet portal or source code in the intranet portal source code repository. This serves as an additional validation and backup to protect against segregation of duties concerns.</p>
IA Follow-Up:	<p>New financial accounting system implementation was moved to 2021 with move to production in Jan 2022.</p> <p>IA confirmed that the Intranet Portal has restricted administrative access.</p> <p>IA also confirmed the new financial accounting system has restricted administrative access</p>

OBSERVATION #4 - EVIDENCE OF TESTING OF INTRANET PORTAL CHANGES ARE NOT RETAINED.

Process Owner:	INFORMATION TECHNOLOGY
Completion Date:	06/12/2020
Action Plan:	<p>Currently, OCERS IT Programming records all requested changes to its intranet portal environment in an IT Programming Request list located on OCERS Intranet site. The list includes automated notifications sent to stakeholders and approval workflows generated for approvals and sign off of requests.</p> <p>To better capture evidence of testing performed prior to implementing changes to the intranet portal or hosted reports, this ticketing system has been modified to include a field for 'Testing Performed'. This field will be used to specifically capture testing that was performed by the developer and/or the end user prior to the implementation of the change. In addition, this field will include instructions the 'attach supporting testing documentation as necessary'.</p>
IA Follow-Up:	Internal Audit confirmed the creation and use of the "Testing and Validation Performed" field in the IT Programming Requests to document the review of Intranet Portal Changes.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Project: 43 - 2031 - Audit of Orange County Sanitation District (OCSD) Payroll Transmittals

REPORT DATE: 06/04/2020

CLOSED

Closed Observations: 1

OBSERVATION #2031 - AN EMPLOYEE IN OUR SAMPLE WAS NOT ENTITLED TO RECEIVE A PENSIONABLE PREMIUM PAY ITEM, RESULTING IN AN OVERPAYMENT OF THAT PENSIONABLE PREMIUM PAY ITEM (AND CONTRIBUTIONS PAID TO OCERS).

Process Owner:	EMPLOYER
Completion Date:	05/21/2020
Action Plan:	Development Pay requests are manually tracked in Excel, and entered in the FIS system. OCSD staff has begun using an exception report to compare the records from these two data sources, to ensure the number of employees listed on the Excel tracking sheet match the number of employees receiving Development Pay per the FIS system. Secondly, the Development Pay program will be audited bi-annually to capture and correct any administrative errors that may have occurred. Additionally, data entered in the FIS system is now done by using an employee identification (ID) number rather than an employee's last name to ensure the correct record is being updated each time. Lastly, in the past 4 years, we've had 5 different staff members administer the Development Pay program due to staff turnover. We now have a dedicated staff member that is knowledgeable in the program and is solely responsible for entering requests in the Excel worksheet and the FIS system, and a supervisor overseeing the function. OCSD is also working with the employee on a repayment plan to reimburse OCSD for the pensionable pay granted in error. Once this is finalized, the Development Pay for the impacted employee will be reversed and an adjustment entry (for contributions) will be done in V3 for each pay period affected.
IA Follow-Up:	IA confirmed the correct employee qualified for the certification pay, the premium payment in error was corrected with collections and the semi-annual audit has been implemented.

Project: 42 - 2032 - Actuarial Extract Audit

REPORT DATE: 10/13/2020

CLOSED

Closed Observations: 5

OBSERVATION #1 - 1. THE PENSION ADMINISTRATION SYSTEM'S ACTUARIAL EXTRACT REPORTING DOES NOT EXTRACT THE CORRECT STATUS (E.G. ACTIVE, DEFERRED, RETIRED, TERMINATED) OF A MEMBER UNDER CERTAIN SCENARIOS, RESULTING IN THE NEED TO MANUALLY CORRECT THE ACTUARIAL EXTRACT REPORT

Process Owner:	INFORMATION TECHNOLOGY
Completion Date:	09/22/2021
Action Plan:	OCERS is working with pension administration vendor to correct issues associated with the member status logic used for the actuarial export and subsequent data cleanup.
IA Follow-Up:	Member status logic recoding is complete and deployment launched.

OBSERVATION #2 - 2. IT PROGRAMMING PERFORMS LOGICAL TESTING OF THE PROGRAMMING CODE BEHIND ITS ACTUARIAL EXTRACT VALIDATION PROCESS BUT DOES NOT KEEP FORMALIZED DOCUMENTATION EVIDENCING THE TESTING.

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Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Process Owner:	INFORMATION TECHNOLOGY
Completion Date:	03/11/2021
Action Plan:	The IT Programming team will formalize and document the process by which logical testing of our actuarial validation code will be performed.
IA Follow-Up:	Formalized testing process has been documented and reviewed by IA

OBSERVATION #3 - 3. FORMAL DOCUMENTATION OF THE APPROVAL OF VALIDATION PROGRAMMING CODE CHANGES DOES NOT EXIST.

Process Owner:	INFORMATION TECHNOLOGY
Completion Date:	03/11/2021
Action Plan:	The IT Programming team will formalize and document the process of how actuarial extract validation code changes will be approved, including how all approvals will be tracked and logged within our system.
IA Follow-Up:	IT Programming has formalized the code change validations process.

OBSERVATION #6 - 6. A MINOR VARIANCE NOTED AND ADDRESSED DURING THE VALIDATION PROCESS WAS NOT ACCURATELY UPDATED IN THE DATA EXTRACT FILE SENT TO THE ACTUARY.

Process Owner:	INFORMATION TECHNOLOGY
Completion Date:	03/11/2021
Action Plan:	The IT Programming team will enhance its process to incorporate all validation review updates and related data cleanup changes to ensure all updates are included in the final export to OCERS Actuary.
IA Follow-Up:	Data cleanup process has been updated and data validation has occurred.

OBSERVATION #7 - 7. OCERS ACTUARIAL EXTRACT PROCESSING GUIDE DOES NOT DESCRIBE INFORMATIONAL QUERIES WHICH DO NOT REQUIRE INVESTIGATION UNLESS REQUESTED BY SEGAL.

Process Owner:	INFORMATION TECHNOLOGY
Completion Date:	03/11/2021
Action Plan:	The IT Programming team will add a section to the Actuarial Extract Processing guide that will describe the additional Informational queries available to OCERS staff to preview potential member datasets based on annual actuarial review question posed by OCERS actuary.
IA Follow-Up:	IA confirmed the Actuarial Extract Processing guide has been updated with the informational queries description.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Project: 47 - 2020 - Continuous Audit of Final Average Salary Calculations (Q3/Q4 2020)

REPORT DATE: 03/22/2021

CLOSED

Closed Observations: 2

OBSERVATION #1 - 1. INTERNAL AUDIT NOTED AN 8% ERROR RATE (SIX ERRORS) WITH THE 75 FAS CALCULATIONS SAMPLED FROM THE 3RD AND 4TH QUARTERS OF 2020.

Process Owner:	MEMBER SERVICES
Completion Date:	
Action Plan:	<p>Member Services has reviewed and is in the process of addressing the recalculations for members identified by Internal Audit during their review. Member Services Management has also taken the following steps which are further detailed in our "Member Services Management Quality Assurance Review Final Average Salary Q1-Q2 2020 Report.docx" document provided to the committee (Action Item A-5).</p> <ol style="list-style-type: none"> 1. Reorganization of the Retirement Program Specialist (RPS) department. 2. Development of the OCERS Retirement Transaction Tool. 3. Development of detailed written procedures for the entire Retirement Transaction Process. 4. Retrained the RPS teams on the newly developed Retirement Transaction Tool. 5. Development of a fully focused Quality Assurance Review Team and Reporting process. 6. Random Sampling of Retirement Transactions by Member Services Management Team.
IA Follow-Up:	As part of the continuous audit for the FAS calculation, Internal Audit noted the MAP was completed during the July 1 payroll review.

OBSERVATION #2 - 2. THE FAS SUPPORTING DOCUMENTATION FOR THREE MEMBERS NEEDED TO BE UPDATED IN THE PENSION ADMINISTRATION SYSTEM (NO FAS IMPACT).

Process Owner:	MEMBER SERVICES
Completion Date:	04/02/2021
Action Plan:	Member Services has reviewed and updated the member files for the calculation documents for members identified by Internal Audit during their review. Member Services Management has also implemented a checklist within the new tool mentioned above.
IA Follow-Up:	Internal Audit noted the checklist was included in the new FAS tool.

Project: 33 - 2090 - Vulnerability and Patch Management

REPORT DATE: 03/22/2021

CLOSED

Closed Observations: 1



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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OBSERVATION #2 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

Process Owner:	INFORMATION TECHNOLOGY
Completion Date:	05/27/2021
Action Plan:	Details Removed - Discussed in Closed Session
IA Follow-Up:	Closed

Project: 48 - 2132 - Continuous Audit of Final Average Salary Calculations (Q2 2021)

REPORT DATE: **06/04/2021**

CLOSED

Closed Observations: 2

OBSERVATION #1 - 1. INTERNAL AUDIT NOTED A 6.7% ERROR RATE (FOUR ERRORS) OUT OF THE 60 FAS CALCULATIONS SAMPLED FROM THE 2ND QUARTER OF 2021.

Process Owner:	MEMBER SERVICES
Completion Date:	05/20/2021
Action Plan:	<p>Member Services Management team takes all errors very seriously. As discussed before, we reorganized our team and implemented a full Quality Assurance process to review all payroll transactions and perform recalculations on any member's account where we found an error. We are reviewing the root cause of all errors and we are providing ongoing training on the errors found each month. We are providing direct feedback to the specific team members who processed the original calculations where errors occurred. We are also reporting up to senior management weekly on the results of our efforts.</p> <p>As to the fourth error, we are working with ViTech, our V3 pension administration system vendor to develop a solution to this issue. We are also working with our team to review any accounts with similar employment history to ensure this error does not occur in the future until we can have the systematic issue fixed in V3. Upon our initial review of all member retirements that have been processed since the implementation of V3 (2016 forward), it is believed to impact approximately 11 members, but the investigation is ongoing. We will provide an update on the final number of members affected at the time of the June Audit Committee Meeting.</p> <p>Member Services is also providing training to the team on how to identify members with this potential issue to ensure additional members are not impacted in the future until the fix in V3 is made</p>
IA Follow-Up:	Internal Audit reviewed the ViTech submission and confirmed with Member Services of the additional training.

OBSERVATION #2 - 2. THE FAS SUPPORTING DOCUMENTATION FOR TWO MEMBERS NEEDED TO BE UPDATED IN THE PENSION ADMINISTRATION SYSTEM (NO FAS IMPACT).

Process Owner:	MEMBER SERVICES
Completion Date:	05/20/2021

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Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Action Plan:	Member Services Management team is providing feedback to our team and the 2 specific team members who did not upload the fully completed supporting documentation to the V3 system. We will continue to reiterate the importance of maintaining the fully completed documentation in the members' files in V3 and will have the supervisor team monitor compliance.
IA Follow-Up:	Internal Audit confirmed the documents have been uploaded and the feedback to the team members have been provided.

Project:	55 - 2135 - Quarterly FAS Review (Q4 2021)	
REPORT DATE:	10/04/2021	CLOSED
Closed Observations:	1	

OBSERVATION #1 - 1. INTERNAL AUDIT NOTED AN 8% ERROR RATE (SIX ERRORS) WITH THE 75 FAS CALCULATIONS TESTED FROM THE 3RD QUARTER OF 2021.

Process Owner:	MEMBER SERVICES
Completion Date:	10/01/2021
Action Plan:	<p>Member Services has recalculated the 6 accounts and made corrective retroactive payments/adjustments to each of the members in accordance with OCERS Overpaid and Underpaid Plan Benefits Policy. The first 5 members were corrected with the 9/1/2021 payroll and the last account was corrected on the 10/1/2021 payroll. Member Services RPS management team formed a committee to assist in developing new controls. One specific solution that came from this committee was the need to have a consistent process for them to follow to sort through the pay data used in determining FAS pay items. Member Services management developed new controls within the FAS Calculation Tool that incorporate macros to help sort and organize the work history for pay items to ensure all team members are working in a consistent process and to make it easier to identify the pay items to include in the FAS. We implemented and trained the RPS team on the new process in September.</p> <p>Member Services management has also enacted version control on the FAS Calculation tool to ensure it is easy to identify if calculations are performed on an outdated file. Member Services management will continue to find new ways to eliminate errors in this process and implement them quickly with appropriate training and documentation on the processes for the team.</p>
IA Follow-Up:	Member Services shared the updated version of the FAS excel tool.

Project:	56 - 2133 - Dependent Survivor Eligibility Audit	
REPORT DATE:	10/04/2021	CLOSED
Closed Observations:	3	

OBSERVATION #1 - 1. OCERS DOES NOT HAVE A FORMALIZED AND SYSTEMATIC PROCESS TO ADDRESS SURVIVOR BENEFITS UNCLAIMED OVER AN EXTENDED PERIOD OF TIME.

Process Owner:	MEMBER SERVICES
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Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Completion Date: 01/05/2022

Action Plan: Member Services Management has worked with our IT partners to develop two reports that will alert us if we have a member that has a death date entered but does not have a survivorship processed. This will help us catch this type of oversight in the future. A process will be developed to monitor the reports/alerts and take appropriate action. Member Services will also research with ViTech to see if it would be possible to have an automated letter mailed out each month to a member's beneficiaries once a death date is entered and to conclude when a survivorship is processed to the beneficiaries. This will help ensure member beneficiaries are made aware of their possible benefit.

2 Reports are as follows:

- Deceased Retirees with No Associated Burial Benefit nor Survivorship benefit established.
- Deceased Retirees with an Associated Burial Benefit but no Survivorship benefit established.

IA Follow-Up: Internal Audit confirmed the reports have been implemented

OBSERVATION #2 - 2. UPON REVIEWING A SURVIVOR'S BENEFIT PAYMENT, WE NOTED ERRORS WITH THE DECEASED MEMBER'S BENEFIT PAYMENT HISTORY FROM 2002 TO THE MEMBER'S DEATH IN 2018.

Process Owner: MEMBER SERVICES

Completion Date: 01/26/2023

Action Plan:

1. Per the OCERS' Overpaid and Underpaid Plan Benefits Policy, OCERS will not recoup the overpaid funds from the surviving spouse's continuance.
2. Current procedures requires Member Services to perform a comparison of the benefit components on both member and survivor to identify any possible discrepancies at the time of the survivorship establishment. We will review our current procedures to see if there are any additional steps, we can take to ensure we do not miss this type of discrepancy moving forward. We will also update our team and provide training specific to this issue.

IA Follow-Up: Confirmed procedures were updated for Member Services to verify COLA and Pension amounts for survivor benefit payments.

OBSERVATION #4 - 4. A MEMBER'S DISABILITY APPLICATION WAS NOT LOCATED IN THE MEMBER'S V3 RECORDS.

Process Owner: MEMBER SERVICES

Completion Date: 03/16/2022

Action Plan: Member Services/Disability team will ensure all the documents are uploaded before completing the Required Proof Doc Checklist. Member Services will validate at the time of disability recalculation that the required disability documentation is within the V3 member file.

IA Follow-Up: IA confirmed the disability documents have been uploaded to V3 and a process was implemented to validate documents have been uploaded.

Project: 57 - 2231 - SSA Employer Audit

REPORT DATE: 03/30/2022

CLOSED

Closed Observations: 1



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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OBSERVATION #1 - 1. THE JOB TITLE IN THE OCERS PENSION ADMINISTRATION SYSTEM (PAS) RECORDS FOR A SOCIAL SERVICES AGENCY RETIREE IN OUR SAMPLE DID NOT REFLECT THE RETIREE'S ACTUAL JOB TITLE.

Process Owner:	MEMBER SERVICES
Completion Date:	01/30/2023
Action Plan:	Member Services Employer Payroll (EP) Management Team will perform a one-time audit of the records between OCERS and all employers supported through the County (Not Just SSA). Once Complete, updates will be sent to OCERS IT to make the necessary changes. After IT makes the changes to the system, a member of the EP Team will verify that the changes were successfully implemented. Ongoing, accuracy validation of the data at the time a member retires is currently performed and is also part of our updated Quality Assurance Process initiated in 2021. As a result of our updated quality assurance program and the fact that we rarely receive new or changed Bargaining Units and Job Class, Management is recommending we continue to review the quality for these records at the time of retirement. We will perform another global reconciliation at the time we perform a migration from the current pension administration system to our new pension administration system in the coming years.
IA Follow-Up:	Internal Audit confirmed the reconciliation of job title and job codes between the County and OCERS PAS. The issue identified has been corrected.

Project: 58 - 2211 - Investment Manager Fee Report

REPORT DATE: 03/30/2022

CLOSED

Closed Observations: 1

OBSERVATION #1 - EVIDENCE OF MANAGEMENT REVIEW OVER THE PREPARATION OF THE FEE REPORT AND THE UNDERLYING EXCEL SCHEDULE USED TO HELP COMPILE THE REPORT IS NOT FORMALIZED AND RETAINED

Process Owner:	INVESTMENTS
Completion Date:	09/12/2022
Action Plan:	We acknowledge and concur with the observation. We believe that documenting the process will strengthen Investment Division's procedures while also providing a strong audit trail.
IA Follow-Up:	Internal Audit reviewed the Fee Report Procedure and signoff for the 2021 Annual Fee Report presented at the August 2022 Investment Committee meeting.

Project: 59 - 2232 - Quarterly FAS Review (Q1 2022)

REPORT DATE: 03/30/2022

CLOSED

Closed Observations: 1

OBSERVATION #1 - 1. INTERNAL AUDIT NOTED A 4.0% ERROR RATE (TWO ERRORS) WITH THE 50 FAS CALCULATIONS SAMPLED FROM THE 1ST QUARTER OF 2022

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Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Process Owner:	MEMBER SERVICES
Completion Date:	01/26/2023
Action Plan:	<p>Member Services (M.S.) Management team investigated the first error reported by Internal Audit for this quarter, and we determined that the original data came to OCERS from CalPERS in an Excel spreadsheet that contained improper formatting for the salary records. M.S. management has engaged the leadership team at CalPERS for the department that prepares this information to inform them of the formatting error. We have also reviewed additional member accounts for which we had received salary information from CalPERS to determine if any other accounts had a similar issue. All of the other accounts we reviewed contained spreadsheets that contained merged fields similar to this account, but they were formatted properly and correctly reported final average salary. We are also training our staff to be aware of the possibility of formatting errors from any outside agency using Excel to report data to OCERS.</p> <p>Regarding the second account with an error, M.S. Management team is working with ViTech to determine the reason for the error and fix the PAS software to ensure it is following the configuration settings properly. We are also working to query the PAS software to see if there are any other accounts that may have been affected in a similar way to this account.</p>
IA Follow-Up:	Internal Audit confirmed the training was performed and a JIRA ticket was created to identify the proration issue.

Project:	62 - 2233 - Quarterly FAS Review (Q2 2022)
REPORT DATE:	10/03/2022
Closed Observations:	1
OBSERVATION #1 - INTERNAL AUDIT NOTED A 2.4% ERROR RATE (ONE ERROR) WITH THE 41 FAS CALCULATIONS SAMPLED FROM THE 2ND QUARTER OF 2022.	
Process Owner:	MEMBER SERVICES
Completion Date:	03/17/2023
Action Plan:	<p>Provide additional training to the Team members when calculating a Sanitation District FAS and benefit. This would include reiterating that Quality Assurance will need to perform a completely separate reperformance of the FAS calculation.</p> <p>Work with the Employer, Sanitation District, to correct errors in the transmittal before OCERS can begin the process of calculating the FAS and benefit.</p>
IA Follow-Up:	IA confirmed Member Services provided the additional training and communicated the error with OC Sanitation District.

Project:	60 - 2261 - Procurement Audit
REPORT DATE:	10/03/2022
Closed Observations:	4

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Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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OBSERVATION #2 - THE DUE DILIGENCE WAS NOT CONSISTENTLY PERFORMED OR DOCUMENTED BY THE CONTRACT ADMINISTRATOR, AS PER OCERS BUSINESS PRACTICES, FOR THREE VENDORS IN OUR SAMPLE:

Process Owner:	EXECUTIVE
Completion Date:	01/30/2023
Action Plan:	A. Management will document and implement a process to ensure due diligence is performed prior to the execution of contracts and that will account for instances that might occur whereby a contract is signed before due diligence is completed.
IA Follow-Up:	IA confirmed a new due diligence process was implemented. Additional samples were tested.

OBSERVATION #4 - THE LEGAL DIVISION'S REVIEW WAS NOT OBTAINED FOR AN IT CONSULTANT'S CONTRACT AWARDED IN 2021. (CONTRACT VALUE OF \$126,000).

Process Owner:	EXECUTIVE
Completion Date:	09/12/2022
Action Plan:	A. All contracts, including those that do not deviate from OCERS' form of contract, are now forwarded to the Legal Division for review. In addition, the Legal contract approval is being retained for future reference.
IA Follow-Up:	Internal Audit reviewed sample of Legal approval of final contracts

OBSERVATION #5 - FOR TWO VENDORS IN OUR SAMPLE, THE CERTIFICATE OF INSURANCE (COI) PROVIDED BY THE VENDOR DID NOT MEET THE DOLLAR AMOUNT COVERAGE AS SPECIFICALLY STATED IN THE EXECUTED CONTRACT.

Process Owner:	EXECUTIVE
Completion Date:	01/30/2023
Action Plan:	A. Management will implement procedures to ensure Certificates of Insurance are in accordance with the vendor contracts. In those cases where the Insurance Certificate does not meet the contractual requirements, the contract stake holder and Legal Division will be consulted for additional action.
IA Follow-Up:	Internal Audit confirmed COIs were obtained for an additional sample.

OBSERVATION #7 - UPON REVIEW OF OCERS' CONTRACT MANAGEMENT SYSTEM (CMS), WE NOTED DATA ENTRY ERRORS WITH SIX VENDORS IN OUR SAMPLE.

Process Owner:	EXECUTIVE
Completion Date:	01/24/2023
Action Plan:	Management has approval to hire an additional Team Member in this department. Review procedures will be created and implemented at that time.
IA Follow-Up:	New Senior Manager hired. Internal Audit reviewed the Data Entry review schedule provided by management.



Management Action Plan Status Report

Project(s): ALL
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED
 Process Owner(s): ALL

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Project: 63 - 2235 - The Toll Roads Employer Audit

REPORT DATE: 02/14/2023

CLOSED

Closed Observations: 2

OBSERVATION #1 - 1. FOR ONE MEMBER IN OUR TEST SAMPLE, THE MEMBER AFFIDAVIT FORM WAS INCOMPLETE REGARDING THE MEMBER'S PREVIOUS PUBLIC SERVICE.

Process Owner:	EMPLOYER
Completion Date:	03/22/2023
Action Plan:	TCA ensures all member affidavits are completed for previous public service. The instance identified was for the HR Director. He did not fill out the previous experience because he knew it would not be eligible for reciprocity. TCA reminded the HR Director to ensure all member affidavits have this section completed, regardless of the employee's service credit reciprocity eligibility.
IA Follow-Up:	IA confirmed the HR Director was made aware to ensure all sections are completed in a member's affidavit.

OBSERVATION #3 - 3. WE NOTED A SINGLE INSTANCE IN WHICH A TIMESHEET LACKED SUPERVISORY SIGNOFF.

Process Owner:	EMPLOYER
Completion Date:	03/22/2023
Action Plan:	The Sr. Accounting Clerk responsible for ensuring timesheets were properly approved for the selected pay period and the supervisor of the selected employee are no longer with TCA. TCA reminded the new payroll Sr. Accounting Clerk and Accounting Supervisor responsible for review to confirm all timecards (including partial timecards under a different supervisor) include supervisor approval prior to payroll submission.
IA Follow-Up:	IA confirmed communication was made to the Sr. Accounting Clerk and Accounting Supervisor responsible for ensuring timesheets are approved.



Memorandum

DATE: April 5, 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.

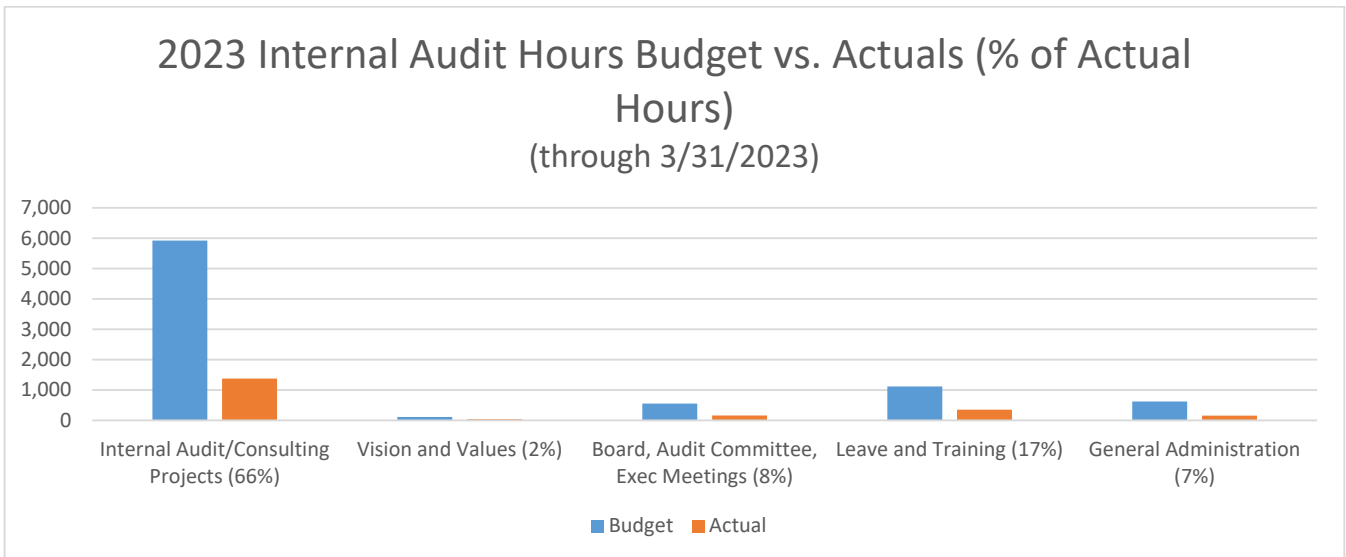
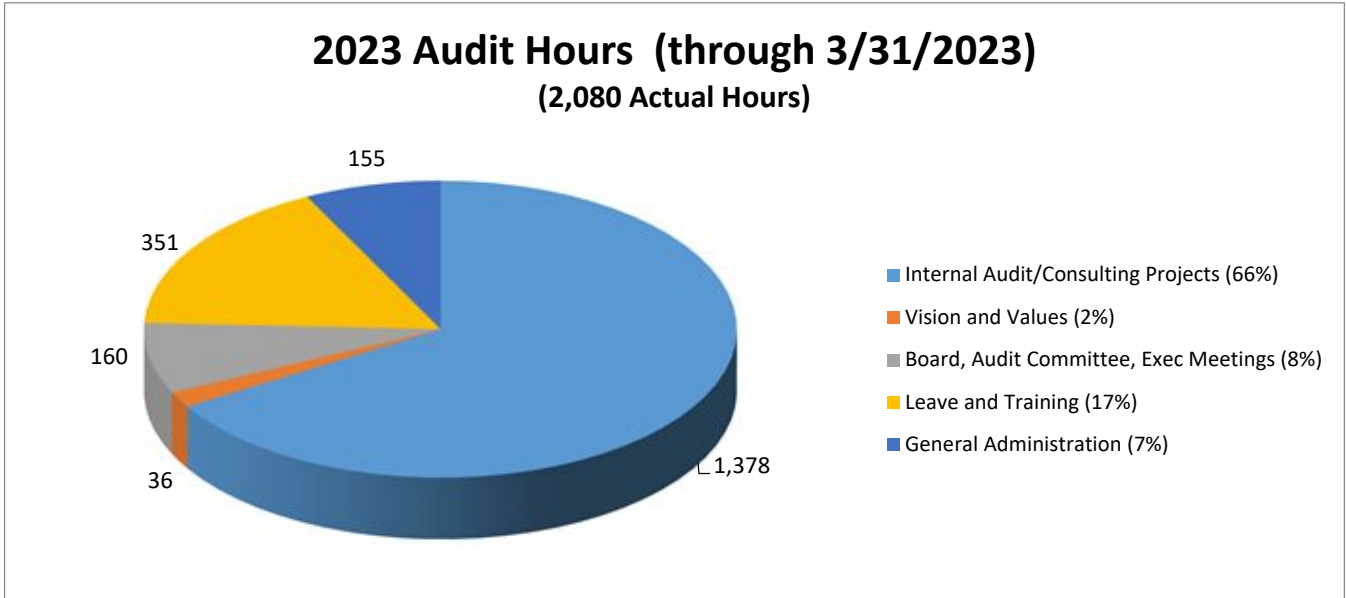
Submitted by:



DK - Approved

David Kim
Director of Internal Auditor

2023 Internal Audit Plan



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

Audit Activity	Description	Planned Hours	Actual Hours	Projected Remaining Hours	Comments
Internal Audit/Consulting/Planning/QAIP		5,920	1,378	4,550	
Internal Audits - Assurance		4,860	1,298	3,570	
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	0	Complete
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. Last time audited in 2013.	30	34	0	Complete
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	120	220	First time audit
Hiring Practices	Review controls over the hiring process, from initial job requisition through start of employment.	340	90	250	First time audit
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	0	330	
Accounts Payable	Review of controls over the account payable process, from payment request through payment of invoice.	340	0	340	First time audit
Transmittal Processing	Review the Employer Payroll team's controls over the processing of payroll transmittals in V3.	340	30	310	First time audit
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	210	430	
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	0	330	
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	Complete

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

Audit Activity	Description	Planned Hours	Actual Hours	Projected Remaining Hours	Comments
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	80	250	
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
Employer Audit (OCTA)	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. Last time audited in 2013.	330	0	330	
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	5	95	
Continuous Audit - Final Average Salary (FAS) Calculation	Continuous audit of FAS calculations. Sample on quarterly basis for Q1 and Q3	480	0	480	
Internal Audit - Management Action Plan Follow-up	Action Plan Follow-up - Perform MAP follow-ups with management.	260	55	205	Ongoing review of implemented MAPs from completed audits.
Internal Audits - Consulting		240	60	180	
Consulting/Ad-hoc projects	Open for any ad-hoc project TBD	240	60	180	Includes time to assist with Annual Employer Report and Investment Incentive review
Internal Audits - Planning		500	0	500	
Annual Audit Planning	Review and update Risk and Control Matrix.	200	0	200	
	Annual preparation of the Audit Plan, updates to the current Audit Plan.	300	0	300	
Internal Audits - Quality Assurance and Improvement Program		320	20	300	
Quality Assurance and Improvement Program	IA Quality Review- self assessment - QAIP program and external peer review	220	20	200	Includes external peer auditor selection (RFP), QAIP data requests and response
	Use of hotline reporting system.	100	0	100	Potential for volume increase due to Alameda.
Vision and Values		110	36	74	
	Vision and Values - Continuous Improvement Program	50	12	38	Help with transition to Vision and Values Committee
	Vision and Values Committee (Internal OCERS Committee)	60	24	36	Internal committee to promote a positive culture at OCERS - Committee Vice Chair.
Board, AC, OCERS Executive Meetings		552	160	392	
	Board meetings, Audit Committee, Personnel Committee, Governance Committee, Executive meeting	470	140	330	
	Weekly meetings with CEO	26	7	19	
	Monthly meeting with Audit Committee Chair	56	13	43	

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

Audit Activity	Description	Planned Hours	Actual Hours	Projected Remaining Hours	Comments
General admin time		620	155	465	
	General admin time	620	155	465	7% of total hours.
Leave (Holiday/Annual) and Training		1,118	351	767	
	Holidays (12 days), Annual Leave (15 days)	918	238	680	
	Training and Continuing Education	200	113	87	
Grand Total Hours		8,320	2,080	6,246	