

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

**AUDIT COMMITTEE MEETING
Friday, January 19, 2024
9:30 A.M.**

Members of the Committee

- Charles Packard, Chair
- Adele Tagaloa, Vice Chair
- Chris Prevatt
- Shari Freidenrich

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

OCERS Zoom Video/Teleconference information	
<p>Join Using Zoom App (Video & Audio)</p> <p>Join Zoom Meeting https://ocers.zoom.us/j/83309900835</p> <p>Meeting ID: 833 0990 0835 Passcode: 593565</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: 833 0990 0835 Passcode: 593565</p>
<p>A Zoom Meeting Participant Guide is available on OCERS' website Board & Committee meetings page</p>	

AGENDA

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

OPEN SESSION

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

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

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

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

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

CONSENT AGENDA

C-1 AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

December 12, 2023

Recommendation: Approve minutes.

ACTION ITEMS

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

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

A-2 CONSIDERATION OF 2024 RISK ASSESSMENT AND 2024 AUDIT PLAN

Presentation by David Kim, Director of Internal Audit

Recommendation: Receive and file.

A-3 EXTERNAL QUALITY PEER REVIEW REPORT

Presentation by Susan Verghese, IIA Quality Services

Recommendation: Receive and file.

CLOSED SESSION

E-1 THREAT TO PUBLIC SERVICES OR FACILITIES

(Government Code Section § 54957)

Consultation with OCERS Director of Cyber Security

Recommendation: Take appropriate action.

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

WRITTEN REPORTS

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

R-1 REPORTING OF INTERNAL AUDIT KEY PERFORMANCE INDICATORS
Written Report

R-2 MANAGEMENT ACTION PLAN VERIFICATION REPORT
Written Report

COMMITTEE MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

ADJOURNMENT

NOTICE OF NEXT MEETINGS

**DISABILITY COMMITTEE MEETING
FEBRUARY 21, 2024
8:30 A.M.**

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

**REGULAR BOARD MEETING
FEBRUARY 21, 2024
9:30 A.M.**

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

AVAILABILITY OF AGENDA MATERIALS - Documents and other materials that are non-exempt public records distributed to all or a majority of the members of the OCERS Board or Committee of the Board in connection with a matter subject to discussion or consideration at an open meeting of the Board or Committee of the Board are available at the OCERS' website: <https://www.ocers.org/board-committee-meetings>. If such materials are distributed to members of the Board or Committee of the Board less than 72 hours prior

Orange County Employees Retirement System
January 19, 2024
Audit Committee Meeting

Page 4

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

MINUTES

OPEN SESSION

Chair Oates called the meeting to order at 1:05 p.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present: Richard Oates, Chair; Charles Packard, Vice Chair; Adele Tagaloo, Board Member; Shari Freidenrich, Ex-Officio Member

Also Present: Steve Delaney, Chief Executive Officer; Manuel Serpa, General Counsel; Cynthia Hockless, Director of Human Resources; David Kim, Director of Internal Audit; Mark Adviento, Senior Internal Auditor; Jenny Davey, Internal Auditor; Esther Hong, Internal Auditor; Marielle Horst, Recording Secretary; Javier Lara, Audio Visual Technician; Amanda Evenson, Executive Secretary

PUBLIC COMMENT

None.

CONSENT AGENDA

C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

October 11, 2023

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

The motion passed **unanimously**.

ACTION ITEMS

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

Orange County Employees Retirement System
December 12, 2023
Audit Committee Meeting

None.

Ms. Freidenrich arrived at 1:09 p.m.

CLOSED SESSION ITEMS

The Committee adjourned to closed session at 1:10 p.m.

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

Title: Director of Internal Audit

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

Recommendation: Take appropriate action

The Committee reconvened to open session at 2:43 p.m.

REPORT OF ACTIONS TAKEN IN CLOSED SESSION

No reportable action was taken during Closed Session.

WRITTEN REPORTS

R-1 STATUS UPDATE OF 2023 AUDIT PLAN

Written Report

COMMITTEE MEMBER COMMENTS

Ms. Tagaloa thanked Chair Oates for serving as Audit Committee Chair. Ms. Freidenrich wished everyone happy holidays. Chair Oates commented that it had been a pleasure to serve as Committee Chair and to watch the Internal Audit team grow and flourish.

STAFF COMMENTS

Mr. Kim gave his thanks to Chair Oates.

CHIEF EXECUTIVE OFFICER

Mr. Delaney wished everyone happy holidays and thanked Chair Oates for his service.

COUNSEL COMMENTS

None.

ADJOURNMENT

Chair Oates adjourned the meeting at 2:46 p.m.

Orange County Employees Retirement System
December 12, 2023
Audit Committee Meeting

Submitted by:

Submitted by:

Approved by:

David Kim
Committee Liaison

Steve Delaney
Secretary to the Board

Charles Packard
Chair



Memorandum

DATE: January 19, 2024
TO: Members of the Audit Committee
FROM: David Kim, Director of Internal Audit
SUBJECT: **CONSIDERATION OF 2024 RISK ASSESSMENT AND 2024 AUDIT PLAN**

Recommendation

Approve the 2024 Risk Assessment and the 2024 Audit Plan.

Background/Discussion

Attached are Internal Audit’s 2024 Risk Assessment and the 2024 Audit Plan. Projects include:

1st half of 2024

- Σ Finalizing testing and audit report (carryover from 2023 Audit plan)
 - Employer Audit – Orange County Transportation Authority
 - Governance - Asset Allocation/Rebalancing
- Σ Employer Audit – County of Orange (Healthcare Agency): Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system (PAS); review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.
 - First time audit
- Σ Employer Audit – Orange County Public Law Library: Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS PAS; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.
 - First time audit
- Σ Center of Internet Security (CIS) Controls Assessment: Evaluate Information Security's implementation of the CIS Top 18 Controls.
- Σ Investment Compensation Calculation Review: Review and validate calculation of the Investment Division’s incentive payments to ensure the calculations are complete and accurate.

2nd half of 2024

- Σ Payroll for Retirees: Review the Finance Department’s controls that help ensure monthly retirement benefit payments are accurately and completely recorded to OCERS General Ledger.
 - Last audited 2019
- Σ Cost of Living Adjustments (COLA): Review the controls in place to ensure COLA calculations are accurately performed and recorded in the PAS.



Memorandum

- First time audit
- Σ Employer Audit - Orange County Employees Retirement System: Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS PAS; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.
 - First time audit
- Σ Employer Audit – San Juan Capistrano: Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS PAS; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.
 - Last audited 2017

On-Going throughout 2024

- Σ Continuous Audit – FAS Benefit Calculation: Ongoing continuous audit of FAS calculations.
 - Sample testing on a quarterly basis (perform testing in Q2 and Q4)
- Σ 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.
- Σ Management Action Plan Verification: Confirm management action plans from prior audits have been implemented.

Submitted by:



DK- Approved

David Kim
Director of Internal Audit

**Orange County Employees Retirement System
2024 Internal Audit Plan**



Audit Activity	Description	Planned Hours	Comments
Internal Audit/Consulting/Planning/QAIP		4,926	
Internal Audits - Assurance		3,866	
Governance - Asset Allocation/Rebalancing (carryover from 2023 audit plan)	Review of controls ensuring OCERS asset allocation/rebalancing activities are reviewed and fully reported to the Investment Committee as per Investment Policy Statement.	70	Finalizing testing and reporting
Transmittal Processing (carryover from 2023 audit plan)	Review the Employer Payroll team's controls over the processing of payroll transmittals in V3.	40	Audit Complete – to present in March
Employer Audit (OCTA) (carryover from 2023 audit)	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.	96	Finalizing testing and reporting
Accounts Payable (carryover from 2023 audit)	Review of controls over the account payable process, from payment request through payment of invoice.	40	Audit Complete – to present in March
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 for Alameda phase 2	400	
Continuous Audit - Final Average Salary (FAS) Calculation	Continuous audit of FAS calculations. Sample on quarterly basis for Q1 and Q3	560	
Employer (County of Orange - Healthcare 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.	350	First time audit

**Orange County Employees Retirement System
2024 Internal Audit Plan**

Audit Activity	Description	Planned Hours	Comments
Employer (County of Orange-Public Law Library)	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.	350	First time audit
Employer (OCERS)	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	350	First time audit
Employer (San Juan Capistrano)	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.	350	Last audited in 2017
Payroll for Retirees	Review the Finance Department's controls over the general ledger recording of monthly benefit payments	360	
COLA Adjustments	Perform an independent review of the controls in place to ensure COLA adjustments are accurately calculated.	360	First time audit
CIS Controls Assessment	Perform an independent assessment of Information Security's implementation of the Center of Internet Security (CIS) Top 18 Controls, and provide recommendations on management's assessment of the department's implementation status and maturity level as appropriate.	120	
Investment Compensation Review	Perform independent review of annual investment compensation calculations	160	
Internal Audit - Management Action Plan Follow-up	Action Plan Follow-up - Perform MAP follow-ups with management.	260	Ongoing review of implemented MAPs from completed audits.
Internal Audits - Consulting		280	
Consulting/Ad-hoc projects	Open for any ad-hoc project TBD	280	Includes time to assist with Annual Employer Report and OCERS by the Numbers, assist with Master Repository Project
Internal Audits - Planning		500	
Annual Audit Planning	Review and update Risk and Control Matrix.	200	
	Annual preparation of the Audit Plan, updates to the current Audit Plan.	300	
Internal Audits - Quality Assurance and Improvement Program		280	
Quality Assurance and Improvement Program	IA Quality Review- self assessment - QAIP program and external peer review	180	Updates to the Internal Auditing Standards on the Audit Charter, Audit Manual and Audit Committee Charter
	Use of hotline reporting system.	100	
Vision and Values		60	
	Vision and Values Committee (Internal OCERS Committee)	60	Internal committee to promote a positive culture at OCERS - Committee Vice Chair.
Board, AC, OCERS Executive Meetings		608	

**Orange County Employees Retirement System
2024 Internal Audit Plan**

Audit Activity	Description	Planned Hours	Comments
	Board meetings, Audit Committee, Personnel Committee, Governance Committee, Executive meeting	510	
	Weekly meetings with CEO	26	
	Monthly meeting with Audit Committee Chair	72	
General admin time		625	
	General admin time	625	7% of total hours.
Leave (Holiday/Annual) and Training		2,133	
	Holidays (12 days), Annual Leave (15 days) Other Leave (180 days)	1,958	
	Training and Continuing Education	175	
Grand Total Hours		<u>8,352</u>	

01-19-2024 Audit Committee Meeting - A-2 CONSIDERATIONS OF 2024 RISK ASSESSMENT

Internal Audit 2024 Risk Assessment Matrix

Risk Rankings	High	High to Medium	Medium	Medium to Low	Low
Definitions	5	4	3	2	1

2024 Audit Topic
Potential 2025 Audit Topic

Department	Auditable Process	Materiality / Financial Impact / Compliance	Strategic / Operational Impact	Change / Stability	Complexity of Operations or Regulations	Political / Reputation	Last Audit - Time and Results	Average Risk Ranking	Last Audited	Rotational Cycle
INFORMATION SECURITY	Event, Incident, and Problem Management	5	5	5	5	4	5	4.8		1
EXECUTIVE	Automation (AI/RPA) Governance	5	5	5	5	4	5	4.8		3
EXECUTIVE	System Implementation	4	5	5	5	5	5	4.8		4
OPERATIONS SUPPORT SERVICES	HQ management	3	5	5	5	5	5	4.7		3
EXECUTIVE	Business continuity / disaster recovery	5	5	3	5	5	4	4.5	9/24/2019	3
BOARD	Governance	5	5	3	4	5	5	4.5		3
INFORMATION TECHNOLOGY	Network Security	5	5	5	5	5	2	4.5	6/30/2020	1
INTERNAL AUDIT	Action plan follow-up	5	5	5	3	4	5	4.5		1
INFORMATION SECURITY	Data Privacy and Protection	5	5	3	4	5	5	4.5		3
INFORMATION SECURITY	Information Security	5	5	5	4	5	3	4.5	6/30/2020	1
FINANCE	Payroll for retirees	5	5	4	5	5	2	4.3	12/17/2019	1
INVESTMENTS	Asset allocation/rebalancing - Governance	5	5	4	3	5	4	4.3	1/20/2018	2
MEMBER SERVICES	COLA adjustments	5	4	3	5	4	5	4.3		4
MEMBER SERVICES	Final Average Salary Policy Review	5	5	5	5	5	1	4.3	12/20/2023	1
MEMBER SERVICES	Contribution transmittals Plan Sponsors (OCFA)	5	5	3	5	5	3	4.3	10/11/2023	2
FINANCE	Investment accounting and valuation	5	5	4	4	4	3	4.2	11/23/2020	3
MEMBER SERVICES	1099 reporting	5	3	4	4	4	5	4.2		4
MEMBER SERVICES	Benefit setup	5	5	4	5	5	1	4.2	6/1/2023	1
LEGAL	Compliance Program	5	4	4	3	4	5	4.2		3
FINANCE	Contributions - member, employer	5	5	4	4	4	2	4.0	6/6/2019	3
FINANCE	General Ledger	5	5	5	4	3	2	4.0	11/23/2020	3
HUMAN RESOURCES	HR Processes	2	5	4	4	4	5	4.0		4
FINANCE	Budgeting	5	4	3	3	4	5	4.0		3
EXECUTIVE	Actuarial extract	5	5	3	4	5	2	4.0	10/13/2020	3
INVESTMENTS	Due diligence	5	5	3	4	5	2	4.0	1/13/2020	2
INFORMATION TECHNOLOGY	Data security 3rd party vendors	5	5	4	3	5	2	4.0	6/30/2020	3
INVESTMENTS	Investment reconciliations	5	5	3	4	5	2	4.0	11/23/2020	3
LEGAL	Form 700 Compliance review	3	4	4	3	5	5	4.0		4
MEMBER SERVICES	Disability process	4	4	4	4	5	3	4.0	1/28/2019	3
INFORMATION TECHNOLOGY	IT Vendor / Third Party Management	5	5	3	4	5	2	4.0	11/30/2020	3
MEMBER SERVICES	Call Center management	2	4	4	5	4	5	4.0		3
FINANCE	Financial reporting	5	4	4	4	4	2	3.8	3/26/2020	3
HUMAN RESOURCES	Succession Planning	2	5	3	3	5	5	3.8		4
INVESTMENTS	Investment manager fee reporting	5	4	4	4	5	1	3.8	3/30/2022	3
INVESTMENTS	Investment consultant review	5	5	2	4	5	2	3.8	10/4/2021	3

01-19-2024 Audit Committee Meeting - A-2 CONSIDERATIONS OF 2024 RISK ASSESSMENT

Internal Audit 2024 Risk Assessment Matrix

Department	Auditable Process	Materiality / Financial Impact / Compliance	Strategic / Operational Impact	Change / Stability	Complexity of Operations or Regulations	Political / Reputation	Last Audit - Time and Results	Average Risk Ranking	Last Audited	Rotational Cycle
MEMBER SERVICES	Death matching process	3	3	4	4	5	4	3.8	6/14/2016	5
MEMBER SERVICES	Survivor claims	5	5	3	4	4	2	3.8	10/4/2021	3
MEMBER SERVICES	Contribution transmittals Plan Sponsors (Sanitation District)	4	5	3	4	5	2	3.8	6/4/2020	3
INFORMATION TECHNOLOGY	Software Development Life Cycle / Change Management	4	4	5	4	3	3	3.8	12/30/2019	4
MEMBER SERVICES	Contribution transmittals Plan Sponsors (County) (including eligibility, pension spiking) - Healthcare Agency	5	5	3	4	5	1	3.8	3/30/2022	3
COMMUNICATIONS	External media/communication oversight	3	4	4	3	4	5	3.8		1
OPERATIONS SUPPORT SERVICES	Procurement	5	4	4	3	5	1	3.7	10/3/2022	3
OPERATIONS SUPPORT SERVICES	Physical security	2	4	3	3	5	5	3.7		4
OPERATIONS SUPPORT SERVICES	Contract Management (e.g. Vendor contract compliance)	5	5	3	3	5	1	3.7	10/3/2022	4
MEMBER SERVICES	IRS 415 benefit payment limits	3	3	3	3	5	5	3.7		5
INTERNAL AUDIT	QAIP (Internal)	1	3	5	3	5	5	3.7		1
INFORMATION TECHNOLOGY	IT Governance, Strategy, and Planning	3	5	4	5	3	2	3.7	11/30/2020	3
MEMBER SERVICES	Contribution transmittals Plan Sponsors (Superior Court)	4	5	3	4	5	1	3.7	4/5/2023	3
MEMBER SERVICES	Contribution transmittals Plan Sponsors (OCTA)	4	5	3	4	5	1	3.7	11/12/2018	3
FINANCE	Cash management	5	5	3	4	3	1	3.5	1/27/2022	3
INVESTMENTS	Cash/Wire Processing	5	5	4	2	4	1	3.5	12/30/2021	3
INVESTMENTS	Personal Trading Policy compliance	2	3	4	3	4	5	3.5		5
LEGAL	Record management and retention	3	5	5	3	4	1	3.5	10/11/2023	1
MEMBER SERVICES	Service Credit Purchases	3	3	4	4	3	4	3.5	11/29/2016	5
INFORMATION TECHNOLOGY	Data Retention and Backup	4	4	4	3	4	2	3.5	12/30/2019	4
MEMBER SERVICES	Transmittal error clearing	5	5	2	5	3	1	3.5		4
HUMAN RESOURCES	Hiring	2	5	4	4	4	1	3.3	10/11/2023	4
EXECUTIVE	Ethics Policy	5	5	1	3	5	1	3.3	10/11/2023	5
MEMBER SERVICES	IRS 401 contribution limits	3	3	3	3	3	5	3.3		5
MEMBER SERVICES	Reciprocity	3	3	3	4	3	4	3.3	8/2/2017	5
INFORMATION TECHNOLOGY	Knowledge Management	2	3	5	4	1	5	3.3		5
INFORMATION TECHNOLOGY	IT Asset Management	3	5	4	4	2	2	3.3	6/30/2020	4
INVESTMENTS	Securities Lending fees	2	5	3	4	4	2	3.3	12/14/2020	5
MEMBER SERVICES	Lump sum payments (death benefits, refunds)	4	3	3	4	4	1	3.2	10/4/2021	4
MEMBER SERVICES	Member Enrollment	3	5	3	3	4	1	3.2	10/13/2023	4

Internal Audit 2024 Risk Assessment Matrix

Department	Auditable Process	Materiality / Financial Impact / Compliance	Strategic / Operational Impact	Change / Stability	Complexity of Operations or Regulations	Political / Reputation	Last Audit - Time and Results	Average Risk Ranking	Last Audited	Rotational Cycle
MEMBER SERVICES	Contribution transmittals Plan Sponsors (All other active plan sponsors, including eligibility, pension spiking) - San Juan Capistrano - Public Law Library - OCERS	4	5	3	3	3	1	3.2	11/2/2022	4
INFORMATION TECHNOLOGY	IT Availability and Capacity	3	4	2	2	3	5	3.2		5
FINANCE	Custodian Bank Fees	2	3	4	2	3	5	3.2		5
MEMBER SERVICES	Interest posting / crediting	5	4	2	3	2	2	3.0	6/6/2019	5
MEMBER SERVICES	Dependent eligibility	4	4	2	2	4	2	3.0	10/4/2021	5
INTERNAL AUDIT	QAIP (External)	1	3	5	3	5	1	3.0		4
INFORMATION TECHNOLOGY	IT Operations	3	4	2	3	4	2	3.0	12/30/2019	5
MEMBER SERVICES	Domestic Relations Order (DRO)	2	3	2	3	2	5	2.8		5
MEMBER SERVICES	Member Data Maintenance	2	4	2	3	5	1	2.8	6/1/2023	5
FINANCE	Accounts Payable	3	3	3	4	2	1	2.7		5
MEMBER SERVICES	Retiree Rehires (PEPRA)	3	2	2	1	5	1	2.3	10/13/2023	5
FINANCE	Travel expenses	2	1	2	1	5	1	2.0	12/6/2017	5
LEGAL	Compliance Department									

Risk Assessment Methodology:

Internal Audit established the structure of the risk assessment by identifying key programs, projects, and processes (auditable entities). We then identified the following categories of risk:

1. **Materiality / Financial Impact / Compliance** – The magnitude of financial exposure, the degree of regulatory oversight, possible financial penalties.
2. **Strategic / Operational Impact** – The significance of this process to OCERS’ strategic success, impact of process disruption.
3. **Change / Stability** – How much the process has been altered and the change of personnel carrying out the process.
4. **Complexity of Operations or Regulations** – The number of individuals, entities, and processes involved, and the degree to which professional judgment or technical expertise is applied.
5. **Political / Reputation** – The degree of public interest and awareness, the visibility of the process to the media.
6. **Last Audit: Time and Results** – The length of time since the last audit or review was conducted and the results of that audit or review.



Memorandum

DATE: January 19, 2024
TO: Members of the Audit Committee
FROM: David Kim, Director of Internal Audit
SUBJECT: EXTERNAL QUALITY PEER REVIEW REPORT

Recommendation

Receive and file.

Background/Discussion

Background

Under the International Standards for the Professional Practice of Internal Auditing (“Standards”), an external quality assessment (“EQA”) of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The review was completed in December 2023 with an overall opinion that OCERS’ Internal Audit “Generally Conforms” to the Standards and the IIA Code of Ethics.

“Generally Conforms” is the top rating that can be given in a quality review. This level of conformance demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing (“Core Principles”) and the Definition of Internal Auditing.

The review also noted several recommendations, which Internal Audit is incorporating to coincide with the recent release of the updated Global Internal Audit Standards.

Submitted by:



DK- Approved

David Kim
Director of Internal Audit



A REPORT PRESENTED TO
**ORANGE COUNTY EMPLOYEES
RETIREMENT SYSTEM**

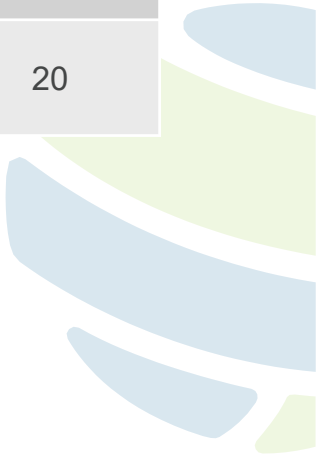
.....

QUALITY ASSESSMENT REPORT

Prepared December 2023

Table of Contents

TOPIC	PAGE
Overall Conclusion	3
List of Acronyms	4
Executive Summary Conformance Summary Overall Opinion Objectives, Scope, and Methodology Observations	5
Detailed Observations Successful Practices Conformance Gaps Improvement Opportunities	10
Appendix A Conformance Rating Criteria	18
Appendix B Stakeholder Feedback	20



Overall Conclusion


ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

The Internal Audit activity **generally conforms** to the *International Standards for the Professional Practices of Internal Auditing* and the IIA Code of Ethics.


This level of conformance is the top rating and demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.

GOVERNANCE		STAFF		MANAGEMENT		PROCESS	
Standard	Rating	Standard	Rating	Standard	Rating	Standard	Rating
1000	GC	1200	GC	2000	GC	2200	GC
1100	GC			2100	GC	2300	GC
1300	PC			2450	GC	2400	GC
Code of Ethics	GC			2600	GC	2500	GC




Susan Verghese, CIA, CISA
 Team Leader
 IIA Quality Services

Team Member(s):
 Anne Etter, CPA, CIA, CRMA


Warren Hersh, CIA, CPA, CISA, CFE
 Director, IIA Quality Services
 IIA Quality Services



List of Acronyms

ACRONYM	DESCRIPTION
AC	Audit Committee of OCERS
CAATs	Computer-Assisted Audit Techniques
CAE	Chief Audit Executive
CPE	Continuing Professional Education
IIA	The Institute of Internal Auditors
IPPF	International Professional Practices Framework
IT	Information Technology
MAP	Management Action Plan
OCERS	Orange County Employees Retirement System
QAIP	Quality Assurance and Improvement Program
<i>Quality Assessment Manual</i>	<i>Quality Assessment Manual for the Internal Audit Activity – 2017 IPPF Aligned Edition</i>
<i>Standards</i>	<i>International Standards for the Professional Practice of Internal Auditing</i>
SWOT	Strengths, Weaknesses, Opportunities, and Threats

Executive Summary

Conformance Summary

STANDARDS AND THE IIA CODE OF ETHICS

		GC	PC	DNC
ATTRIBUTE STANDARDS				
1000 - Purpose, Authority, and Responsibility		GC		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter		PC	
1100 - Independence and Objectivity		GC		
1110	Organizational Independence	GC	OP1	
1111	Direct Interaction with the Board	GC		
1112	Chief Audit Executive Roles Beyond Internal Auditing		PC	
1120	Individual Objectivity	GC		
1130	Impairments to Independence or Objectivity	GC		
1200 - Proficiency and Due Professional Care		GC		
1210	Proficiency	GC		
1220	Due Professional Care	GC		
1230	Continuing Professional Development	GC		
1300 - Quality Assurance and Improvement Program (QAIP)			PC	
1310	Requirements of the QAIP		PC	
1311	Internal Assessments		PC	
1312	External Assessments	GC		
1320	Reporting on the QAIP	GC		
1321	Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing" Statement	GC	OP2	
1322	Disclosure of Nonconformance	GC		
PERFORMANCE STANDARDS				
2000 - Managing the Internal Audit Activity		GC	OP3	
2010	Planning	GC		
2020	Communication and Approval	GC	OP4	
2030	Resource Management	GC		
2040	Policies and Procedures	GC	OP5	
2050	Coordination and Reliance	GC	OP6	
2060	Reporting to Senior Management and the Board	GC		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	NA		

		GC	PC	DNC
PERFORMANCE STANDARDS (CONTINUED)				
2100 - Nature of Work		GC		
2110	Governance	GC	OP7	
2120	Risk Management	GC		
2130	Control	GC		
2200 - Engagement Planning		GC		
2201	Planning Considerations	GC		
2210	Engagement Objectives	GC		
2220	Engagement Scope	GC		
2230	Engagement Resource Allocation	GC		
2240	Engagement Work Programs	GC		
2300 - Performing the Engagement		GC		
2310	Identifying Information	GC		
2320	Analysis and Evaluation	GC		
2330	Documenting Information	GC	OP8	
2340	Engagement Supervision	GC		
2400 - Communicating Results		GC		
2410	Criteria for Communicating	GC		
2420	Quality of Communications	GC		
2421	Errors and Omissions	GC		
2430	Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"	GC		
2431	Engagement Disclosure of Nonconformance	GC		
2440	Disseminating Results	GC		
2450	Overall Opinions	GC		
2500 - Monitoring Progress		GC	OP9	
2600 - Communicating the Acceptance of Risks		GC		
IIA CODE OF ETHICS				
Code of Ethics		GC		
OVERALL CONFORMANCE RATING		GC		

Overall Opinion

OPINION AS TO CONFORMANCE WITH THE *STANDARDS* AND THE IIA CODE OF ETHICS

The Internal Audit activity at OCERS generally conforms with the *Standards* and the IIA Code of Ethics. A conformance rating of generally conforms is the top rating and demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.

A summary of conformance with individual *Standards* and the IIA Code of Ethics is provided within the “Conformance Summary” section of this report. Upon issuance of this report, Internal Audit may continue to use the phrases “Conforms with the *International Standards for the Professional Practice of Internal Auditing*” and “Conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*” within its practice materials and/or audit reports.

The IIA *Quality Assessment Manual for the Internal Audit Activity – 2017 IPPF Aligned Edition (Quality Assessment Manual)* suggests a scale of three ratings, “Generally Conforms,” “Partially Conforms,” and “Does Not Conform.” Detailed rating definitions and criteria associated with “Generally Conforms,” “Partially Conforms,” and “Does Not Conform” are described within Appendix A of this report and are consistent with IIA guidance stated in its *Quality Assessment Manual*.

Under the *Standards*, an External Quality Assessment (EQA) of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or an independent assessment team from outside the organization. IIA Quality Services was selected to lead this assessment. This engagement’s Assessment Team demonstrated competence in both the professional practice of internal auditing and the EQA process as required by the *Standards*. The External Quality Assessment was conducted during the week of Dec 11, 2023. Conclusions were as of Dec 15, 2023.

Future changes in external factors and actions taken by personnel, including actions taken to address our recommendations, may have an impact upon the operation of Internal Audit in a manner that this report did not and cannot anticipate. Considerable professional judgment is involved in evaluating the observations and developing recommendations. Accordingly, it should be recognized that others could evaluate the results differently and draw different conclusions.

All information included in this report is proprietary and confidential and is intended for internal use only. This report may not be distributed to any other third-party (other than your regulator, External Audit Committee, or external auditor) without the prior written consent of IIA Quality Services.

Objectives, Scope, and Methodology

OBJECTIVES

The primary objective of this assessment was to evaluate conformance to the *Standards*, which require an EQA of an internal audit activity at least every five years. In addition, the Assessment Team:

- Assessed conformance with the IIA Code of Ethics
- Assessed Internal Audit's effectiveness in providing assurance and advisory services to stakeholders and other interested parties
- Identified opportunities, offered recommendations for improvement, and provided counsel to Internal Audit for improving its performance and services, as well as promoting its image and credibility throughout the organization

SCOPE

The scope of this assessment included an evaluation of Internal Audit's efficiency and effectiveness in executing its mission, as set forth by the Internal Audit Charter, which defines the purpose, authority, responsibilities, and accountabilities of Internal Audit.

METHODOLOGY

To accomplish the objectives, the Assessment Team:

- Reviewed information prepared by Internal Audit at the Assessment Team's request
- Conducted interviews with key stakeholders of Internal Audit including senior executives, the external auditors, the Chief Audit Executive (CAE), and members of the Internal Audit function
- Reviewed a sample of audit projects and associated work papers and reports
- Reviewed survey data received from Internal Audit stakeholders resulting from IIA Quality Services' survey process
- Prepared diagnostic tools consistent with the methodology established for an EQA as stated in the *Quality Assessment Manual*

Observations Specific to Internal Audit

OVERALL SUMMARY

The Internal Audit function at the OCERS generally conforms with the *Standards* and the IIA Code of Ethics. This level of conformance is the top rating and demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing (“Core Principles”) and the Definition of Internal Auditing.

Internal Audit at OCERS is a small sized function that operates in an environment with changing and emerging risks. Their ability to adapt and be responsive to change, combined with their ability to leverage insight on risks impacting the organization into focused audit plans, will continue to be critical to their success and value to the organization. The annual risk assessment process focuses activities for the year in areas of highest impact, consistent with the strategies, objectives, and risks of the organization. The periodic reports to OCERS Management and the Audit Committee (Audit Committee) meet stakeholder’s expectations. Internal Audit is a critical component of the governance structure, and they appropriately monitor the effectiveness of governance, risk management and control activities at OCERS. Results of interviews and surveys of key stakeholders indicate that Internal Audit is highly valued and viewed by Management as a trusted partner that adds value to the organization.

ATTRIBUTE STANDARDS

Internal Audit has the infrastructure in place to support sustainability of internal audit processes in a consistent and quality manner. The Internal Audit Charter is foundational to all their activities. The Charter needs to be updated to recognize the mandatory guidance as well as document the roles the CAE has outside of Internal Auditing and the safeguards in place to limit impairments to independence and objectivity. Consequently, the Audit Committee charter would also need to be updated to be in sync with the Internal Audit Charter. Functional oversight is appropriately provided by the Audit Committee. The functional and administrative reporting relationships of the CAE support organizational independence and objectivity. Internal Audit management and staff collectively possess the knowledge, skills, and competencies necessary to demonstrate professional proficiency. Subject matter experts are leveraged, where necessary, through external resources. Work is performed with due professional care. Training and professional development processes support proficiency of Internal Audit management and Internal Audit staff. There is a Quality Assurance and Improvement Program (QAIP), which includes ongoing internal assessments, as well as external assessments that are reported to the Audit Committee. Additionally, Periodic Internal Assessments need to be carried out in periods between External Assessments. Action plans from these assessments should be monitored and reported to management and the Audit Committee.

PERFORMANCE STANDARDS

Internal Audit is managed effectively with defined procedures to support consistency, quality, and sustainability. To ensure continued relevance of the Internal Audit function, an Internal Audit Strategy, that is aligned with the OCERS strategy could be developed. An annual risk assessment process, that incorporates input from key stakeholders, is used to develop a plan for the year. Internal Audit has a “seat at the table” related to OCERS Management and Operational Risk committee meetings, which ensures that audit plans are linked to the entity-wide view of emerging risks. Internal Audit coordinates with other assurance providers in OCERS, and as these functions mature, may consider placing some reliance on their activities. Internal Audit resource levels and skill sets appear adequate to meet Audit Plan objectives and risks. Considering the expected changes to the *Standards*, the Internal Audit Manual would need to be updated. Engagement level planning is supported by engagement level risk assessment, which is closely aligned with annual risk management assessments. Work is performed with due professional care. Objectives evaluate technology, operational, financial, and compliance components as appropriate for individual engagements. Audit reports are of a consistent high quality and work papers fully support reported findings. Supervisory approvals of the engagement work programs are documented consistently. The existing follow-up process, that tracks audit issues through to resolution, could be enhanced to depict for example aging of overdue management action plans.

Detailed Observations

Successful Practices

The Assessment Team identified the following areas where Internal Audit operates in a successful practice manner:

#	STANDARD	OBSERVATION
SP01	1111 Direct Interaction with the Board – There is an appropriate and high level of interaction between Internal Audit and the Audit Committee.	Interaction with the CAE takes place formally during Audit Committee meetings and informally through update meetings with the Audit Committee chair before each meeting and more frequently as necessary. Language in the Internal Audit Charter makes clear that Internal Audit generally, and the CAE specifically, have unrestricted access to the Audit Committee. Having members of the Internal Audit team periodically attend Audit Committee meetings provides an exceptional way to develop audit staff in terms of executive level interface and communication skills and provides the Audit Committee with an opportunity to obtain insight into individual backgrounds and skill sets.
SP02	1210 – Proficiency Internal Audit management and staff are highly qualified, credentialed and experienced, and collectively possess the skills required to perform audit responsibilities.	Internal Audit has a good blend of skills from a technical, financial, and operational perspective. Proficiency is supported by a commitment to training and professional development. Third party subject matter experts are used on an as needed basis to complement skills and competencies within Internal Audit. The senior auditor staff have audit credentials such as Certified Internal Auditor (CIA), as well as other professional credentials. Internal Audit staff actively participate in professional organizations and activities to broaden experience and interaction with industry peers.
SP03	1220 Due Professional Care – Internal Audit effectively uses checklists and templates to ensure Internal Audit projects are planned and executed in a manner consistent with the defined methodology.	The checklists and templates used by Internal Audit are comprehensive, embedded within their work papers on Sharepoint. The use of checklists and templates to plan, execute, and administer Internal Audit projects, together with workflows for required supervisory review and approval ensures consistent application of the Internal Audit methodology; contributes to a high level of quality and consistency within Internal Audit projects; supports ongoing monitoring requirements of the QAIP; and demonstrates due professional care in conducting internal audits.
SP04	2010 Planning – Internal Audit has an annual risk assessment and audit planning process that incorporates input from senior stakeholders and the Audit Committee to focus engagements in areas of highest risk and impact to the OCERS.	A comprehensive risk assessment process is used to evaluate the audit universe and develop an annual audit plan, that is updated as needed. Input from key stakeholders on changes to risk is incorporated into the plan so that audits are focused to evaluate specific objectives related to mitigation of risk and alignment with OCERS's strategic priorities. The Audit Plan is presented to OCERS Management and the Audit Committee for approval. The identified audit engagements include preliminary scope and objectives.
SP05	2110 Governance – Internal Audit plays an active and appropriate role in affecting good governance practices within the organization.	Internal Audit is viewed as an inherent part of the governance structure by executive management and the Audit Committee. They actively participate in the sharing of information across the organization to affect good governance practices. Their role as a third line assurance activity within the OCERS is clearly articulated. The CAE has an appropriate and effective “seat at the table” within the organization to ensure audit plans are aligned with the entity-wide view of risk and to capture information related to emerging and/or changing risk profiles, while maintaining their independence and objectivity. This “seat at the table” is primarily accomplished by formal interaction with the senior leadership team; attendance at the Executive Committee meetings; attendance at the Operational Risk committee; and open and direct access to stakeholders throughout the organization.

Successful Practices

The Assessment Team identified the following areas where Internal Audit operates in a successful practice manner:

#	STANDARD	OBSERVATION
SP06	2201 Planning Considerations – Internal Audit uses an effective engagement planning process to focus audits in areas of highest risk and impact.	Engagement level planning is supported by a risk assessment process with input from key stakeholders to align the work program with defined objectives and scope. Internal Audit specifically evaluates operational, strategic, fraud and financial risk as part of the process. Internal Audit consistently and appropriately uses a risk and control matrix to link engagement planning with execution and reporting.
SP07	2410 Criteria for Communicating – Internal Audit reports are of consistent high quality focusing attention on resolution of issues and meet stakeholder's expectations	Internal Audit reports are high in quality and focus attention on resolution of issues. The report format is template driven and makes excellent use of an executive summary to draw attention to those items requiring a higher priority. Reports are succinct, well written and include management action plans and dates for remediation for individual observations. Criteria to assign levels of significance for individual observations are defined in an appendix to each report and includes the business criticality of the area as well as the area being audited.



Conformance Gaps

The Assessment Team identified the following conformance gaps.

#	STANDARD	OBSERVATION	MANAGEMENT RESPONSE
CG-01	<p>1010 – Recognizing Mandatory Guidance in the Internal Audit Charter Include language in the Internal Audit Charter that recognizes the Core Principles, the IIA Code of Ethics, the Standards, and the Definition of Internal Auditing as mandatory elements of the IPPF.</p> <p>1112 – Chief Audit Executive Roles Beyond Internal Auditing Consider adding language in the Internal Audit Charter that describes the role of the CAE related to responsibilities for the Ethics, Compliance and Fraud hotline, along with the safeguards in place to limit impairments to independence and objectivity.</p>	<p>The Internal Audit Charter currently states that Internal Audit’s responsibility is to serve the Board “consistent with the International Professional Practices Framework of the Institute of Internal Auditors, as required by California Government Code 1236” and defines various elements that are required by the Standards to be present in the Charter. The charter needs to be updated with some additional elements.</p> <p>Standard 1010 requires a specific recognition in the Internal Audit Charter that the Core Principles, the IIA Code of Ethics, the Standards, and the Definition of Internal Auditing are mandatory in nature. The charter should also describe the requirement to adhere to IIA Implementation Guidance and Supplemental Guidance described in the IPPF as well as OCERS relevant policies and procedures and the Internal Audit Manual.</p> <p>Since the CAE’s roles and/or responsibilities related to the Ethics, Compliance and Fraud hotline falls outside of internal auditing, Standard 1112 requires this be documented in the Internal Audit Charter, along with the safeguards in place to limit impairments to independence and objectivity. These safeguards include a periodic review of the placement of this role in the organization as well as having an external entity provide assurance over this process.</p> <p>Additionally, the charter should include the following:</p> <ul style="list-style-type: none"> • The requirement for the CAE to communicate the organizational independence of Internal Audit to the AC Committee on an annual basis. • A description of the nature of the assurance and consulting services provided by Internal Audit. • The requirement for the CAE to establish and maintain a QAIP that includes internal and external assessment requirements, as well as communication of results that include a conclusion on conformance with the Standards and the IIA Code of Ethics. (see CG2) • In addition to approval of the annual plan, the audit committee needs to approve significant changes to the plan and have confirmation from the CAE on the adequacy of resources to achieve the plan. (point 4. b) • Clarify that the <i>CAE participates</i> in the evaluation of the performance of the External Auditor rather than “Evaluates the quality of performance of external auditors”. (point 5. f) <p>Update the Internal Audit Charter with these changes as well as with others that will be required due to the new 2024 Global Internal Auditing Standards. Simultaneously, update the Audit Committee Charter to synchronize with the contents of the Internal Audit Charter and requirements of the 2024 Global Internal Auditing Standards.</p>	<p>Pending the issuance of the new Global Internal Auditing Standards, we will make the necessary updates to the Internal Audit and Audit Committee Charters.</p>

Conformance Gaps (contd.)

The Assessment Team identified the following conformance gaps.

#	STANDARD	OBSERVATION	MANAGEMENT RESPONSE
CG-02	<p>1300 – Quality Assurance and Improvement Program (QAIP)</p> <p>1310 – Requirements of the QAIP Update the QAIP documentation so that it is in accordance with the current <i>Standards</i> and professional guidance, and supports consistency, quality, and sustainability of its execution.</p> <p>1311 – Internal Assessments Conduct periodic internal assessments, in a holistic manner, to evaluate and conclude on conformance with the <i>Standards</i> and the IIA Code of Ethics and report on the results to the Audit Committee and management.</p>	<p>While some elements of a QAIP such as the ongoing monitoring of performance, annual evaluation of some Performance Standards (2200-2400) and the external assessments are in place and operating as required, the QAIP program documentation needs enhancement. The QAIP, as required by current <i>Standards</i>, should document objectives, scope, internal and external assessment requirements, and communication of results.</p> <p>A comprehensive QAIP documentation should:</p> <ul style="list-style-type: none"> • establish the scope of the QAIP to be as defined within the Internal Audit Charter; • include language that encourages participation of the Audit Committee in the QAIP process. Examples of participation currently describe review and approval of the external assessor or assessment team. Include receipt of results of internal assessments - both ongoing monitoring and periodic self-assessment; and monitoring action plans to address any gaps/opportunities. • document the current approach to ongoing monitoring of performance to include use of performance metrics reported in a balanced scorecard, supervisory review and approval at appropriate stages of the engagement, use of structured template driven electronic work papers, and use of a quality checklist for each engagement; • document the frequency and approach to periodic internal assessment in the holistic evaluation of conformance with all the <i>Standards</i> and the IIA Code of Ethics; • require the external assessment to take place within the five-year requirement of the <i>Standards</i>; and • describe communication requirements to include disclosures of the scope and frequency of both internal and external assessments, the qualifications and independence of the assessor(s) or assessment team including potential conflicts of interest, conclusions of assessors, and corrective action plans. In addition, define the requirement to communicate the results of ongoing monitoring of performance to stakeholders and Audit Committee, at least on an annual basis, and the requirement to communicate the results of periodic internal assessment and external assessment when they occur. Action items from the External and Internal Quality Assessments should be monitored and communicated to Audit Committee. <p>Consider using the Practice Advisory and Implementation Guides for the 1300 series of <i>Standards</i> and the samples provided to the CAE to support this update.</p>	<p>Pending the issuance of the new Global Internal Auditing <i>Standards</i>, we will make the necessary updates to the Quality Assurance and Improvement Program (QAIP). We will also make the related updates to the Internal Audit and Audit Committee Charters regarding the QAIP and the external assessments.</p>

Improvement Opportunities

The Assessment Team identified the following improvement opportunities that, if implemented, will enhance the efficiency and effectiveness of Internal Audit processes and/or infrastructure.

#	STANDARD	OBSERVATION	INTERNAL AUDIT RESPONSE
IO-01	<p>1100 – Independence and Objectivity Document the annual conformance of the independence and objectivity of the internal audit function.</p>	<p>This standard requires that the Internal Audit function confirm annually to that it is independent and objective. While these discussions take place each year in closed session with the AC, the CAE should document this annual confirmation of independence to AC. Further, the Internal Audit Manual states that “Internal Auditor should annually certify they have no actual or perceived conflicts of interest that would impair their objectivity or independence.” These annual certifications should be documented to demonstrate conformance.</p>	<p>Beginning in 2024, Internal Audit will formalize the certification process for audit staff and document the confirmation of independence of the Internal Audit function to the Audit Committee.</p>
IO-02	<p>1300 – Quality Assurance and Improvement Program Monitor revisions to professional guidance, currently exposed for comment, to become effective in 2024, and review and update current Internal Audit infrastructure and methodology as appropriate.</p>	<p>The new Global Internal Audit Standards will be issued by the IIA in January 2024, with appropriate professional guidance issued thereafter. These Standards will be effective in January 2025.</p> <p>Once the Global Internal Audit Standards have been issued, the resulting changes to Internal Audit infrastructure and methodology will need to be made and, where appropriate, presented to the Audit Committee for their review and approval. Some of the documents that would need to be updated include the Audit Committee Charter, the IA Charter, the Audit Manual, etc..</p> <p>Commensurate with the review and revision process, a socialization and training component for stakeholders, Internal Audit staff will need to take place.</p>	<p>Internal Audit will monitor pending revisions to the Global Internal Auditing Standards and will make the necessary updates to the Audit Committee Charter, Internal Audit Charter and Audit Manual.</p>
IO-03	<p>2000 – Managing the Internal Audit Activity Consider developing a multi-year strategic plan for Internal Audit to support the strategy of OCERS and to guide the activities of Internal Audit in a future focused, proactive, systematic, and practical manner.</p>	<p>OCERS has established a multi-year plan for 2023-2025 with strategic goals related to fund sustainability, service & support; risk management, talent management and governance. Enhancement of existing technology are included in the key initiatives.</p> <p>Developing and documenting a formalized three-to-five-year strategic plan for Internal Audit, approved by the Audit Committee and management, is an evolving successful practice that promotes continuous improvement and contributes to sustainability of Internal Audit infrastructure and process.</p> <p>The strategic plan should be consistent with OCERS’s strategic direction and progress against the plan should be annually presented to senior management and the Audit Committee.</p> <p>In the 2024 Global Internal Auditing Standards, having an Internal Audit Strategic Plan is expected to become a requirement of the standards. The OCERS IA plan should be developed based on the guidance in the new standards.</p>	<p>Pending the issuance of the new Global Internal Auditing Standards, we will develop a strategic plan for Internal Audit.</p>

Improvement Opportunities

The Assessment Team identified the following improvement opportunities that, if implemented, will enhance the efficiency and effectiveness of Internal Audit processes and/or infrastructure.

#	STANDARD	OBSERVATION	INTERNAL AUDIT RESPONSE
IO-04	<p>2020 – Communication and Approval Present the annual audit plan and associated budget and resource requirements, as well as significant changes to the plan, for approval by the Audit Committee.</p>	<p>The annual audit plan is presented to the Audit Committee by the CAE for approval. The adequacy of the associated budget and resources to meet the plan should also be presented to the Audit Committee. Additionally, significant changes to the plan and associated resources, if any, should be presented to the Audit Committee and their approval documented in the minutes of the meetings. This ensures the governance structure of the organization agrees that the plan focuses audit activities in the areas of highest risk and impact to the organization and can be achieved with the available resources. Formal approval of the annual audit plan and associated resource requirements further supports the independence of the CAE and Internal Audit.</p> <p>Further, consider enhancing communication with stakeholders around high-risk entities in the audit universe that may be nearing or are outside their planned rotational coverage cycle, to indicate the anticipated timing for audit coverage or rational for delay.</p>	<p>Internal Audit will include the suggested changes to presenting the adequacy of resources and significant changes to the audit plan during the year for approval by the Audit Committee. Internal audit will also enhance communication around high-risk entities that may be near or are outside their planned rotation coverage.</p>
IO-05	<p>2040 – Policies and Procedures Enhance documentation of the Internal Audit Manual to promote sustainability, consistency and quality of their execution.</p>	<p>OCERS management is currently undertaking an initiative to review and update internal policies and procedures. Internal Audit should ensure that the Internal Audit Manual is comprehensive and meets the new 2024 Global Internal Audit Standards, when they are published. Enhance existing policies and/or create procedures to remove key person dependencies and train new audit staff - particularly in documenting the processes for Annual Risk Assessment and Planning; escalation for Management Acceptance of risk; planning, execution, reporting, and follow-up of consulting and assurance engagements; and the QAIP process.</p>	<p>Internal Audit will include the suggested documentation updates when Internal Audit undergoes the Master Repository Project.</p>
IO-06	<p>2050 – Coordination and Reliance Consider enhancing the Internal Audit risk assessment and audit planning process by describing the coverage of risk between Internal Audit and other providers of assurance for OCERS.</p>	<p>As a part of the current risk assessment and audit planning process Internal Audit coordinates with the existing (and newly formed) second line assurance functions at OCERS – namely Compliance, ORM Committee, and IT Security. While presenting the annual audit plan, Internal Audit could specifically demonstrate areas of risk coverage and coordination to highlight the gaps and overlaps in the different roles between Internal Audit as a third line of defense and other providers of assurance that comprise the first and second lines of defense within OCERS. By highlighting gaps in the risk coverage by second line functions, the Audit Committee and management can evaluate how best to address them.</p> <p>As the second line functions mature or new functions are created, the CAE may rely on their work. To do this, Internal Audit should periodically review the scope, objectives, and results of the work performed by other providers of assurance to determine if such reliance can be placed.</p>	<p>Pending the issuance of the new Global Internal Auditing Standards and the development of processes from the newly formed Compliance department, we will consider enhancing the risk assessment and audit planning process to coordinate with other lines of assurance.</p>

Improvement Opportunities

The Assessment Team identified the following improvement opportunities that, if implemented, will enhance the efficiency and effectiveness of Internal Audit processes and/or infrastructure.

#	STANDARD	OBSERVATION	INTERNAL AUDIT RESPONSE
IO-07	2110 – Governance Evaluate the corporate ethics and compliance program using an independent resource.	Implementation Standards 2110.A1 requires that the corporate ethics and compliance program be evaluated as part of the assessment of governance activities. The corporate ethics and compliance program should be included in the audit universe, evaluated as part of the annual risk assessment, and incorporated into the annual audit plan as appropriate. Since the CAE has a key role in this process, this evaluation should be carried out by an independent resource to maintain independence and objectivity.	Pending the issuance of the new Global Internal Auditing Standards, we will consider other safeguards around the OCERS Ethics, Compliance and Fraud Hotline program. We will include the ethics program in our Audit universe to be risk evaluated annually.
IO-08	2330 – Documenting Information Consider enhancing templates and work paper documentation to supports the effectiveness and overall quality of engagement planning, fieldwork, and reporting.	The current audit workpapers are consistently documented as per the existing policy for the audit engagements reviewed. Consider enhancing the planning documentation to augment fraud assessment/conclusions; to reference the data analytics and sampling strategy used; as well as document the framework or criteria management uses to manage their operations. Consider enhancing fieldwork documentation to clearly outline purpose, conclusion and root cause of observations in test worksheets and cross referencing between testing worksheets and observation documents.	Internal Audit will include the suggested enhancements for future audit documentation.
IO-09	2500 – Monitoring Progress Enhance the monitoring to ensure that observations included in engagement reports are appropriately addressed by management in a manner consistent with the action plans and timeframes described and reported.	All audit observations are assigned a priority and associated MAPs tracked through to resolution by Internal Audit. The status of open MAPs is reported to senior management on a periodic basis and to the Audit Committee as a component of the quarterly reporting process. Enhancing the quarterly reports by aging the open MAPs as well as highlighting changes to the assigned due dates would help senior management and the Audit Committee to use this process to ensure reported observations are addressed in a timely manner by the organization. Use of heatmaps showing likelihood and impact of individual observations and associated risks could help focus the Audit Committee and management of OCERS on prioritizing the available organizational resources in areas most needed.	Internal Audit will enhance the Management Action Plan (MAP) follow-up reporting to highlight risk of the outstanding MAP completions along with aging details of overdue MAPs.

Appendix A

Conformance Rating Criteria

Conformance Rating Criteria

“Generally Conforms” (GC) means the Assessment Team concluded the following:

- For individual *Standards*, the internal audit activity conforms to the requirements of the *Standard* (i.e., 1000, 1010, 2000, 2010, etc.) or elements of the IIA Code of Ethics (both Principles and Rules of Conduct) in all material respects.
- For the sections (Attribute and Performance) and major categories (i.e., 1000, 1100, 2000, 2100, etc.), the internal audit activity achieves general conformity to a majority of the individual *Standards* and/or elements of the IIA Code of Ethics, and at least partial conformity to others, within the section/category.
- For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the *Standards* or the IIA Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

“Partially Conforms” (PC) means the Assessment Team concluded the following:

- For individual *Standards*, the internal audit activity is making good faith efforts to conform to the requirements of the *Standard* (i.e., 1000, 1010, 2000, 2010, etc.) or element of the IIA Code of Ethics (both Principles and Rules of Conduct) but falls short of achieving some major objectives.
- For the sections (Attribute and Performance) and major categories (i.e., 1000, 1100, 2000, 2100, etc.), the internal audit activity partially achieves conformance with a majority of the individual *Standards* within the section/category and/or elements of the IIA Code of Ethics.
- For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the *Standards* or the IIA Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

“Does Not Conform” (DNC) means the Assessment Team concluded the following:

- For individual *Standards*, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the *Standard* (i.e., 1000, 1010, 2000, 2010, etc.) and/or elements of the IIA Code of Ethics (both Principles and Rules of Conduct).
- For the sections (Attribute and Performance) and major categories (i.e., 1000, 1100, 2000, 2100, etc.), the internal audit activity does not achieve conformance with a majority of the individual *Standards* within the section/category and/or elements of the IIA Code of Ethics.
- For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

Appendix B

Stakeholder Feedback

Stakeholder Feedback

SENIOR MANAGEMENT AND KEY STAKEHOLDERS

NAME	TITLE
Mr. Richard Oates	Chair of Audit Committee
Mr. Steve Delaney	Chief Executive Officer
Ms. Suzanne Jenike	Assistant CEO, External Operations
Ms. Jenny Sadoski	Director of Information Technology
Ms. Tracy Bowman	Director of Finance
Mr. Kwame Addo	Chief Compliance Officer
Mr. Matt Eakin	Director of Information Security
Mr. Aaron Hamilton	Moss Adams LLC - External Auditor
Mr. Kory Hoggan	Moss Adams LLC - External Auditor

INTERNAL AUDIT MANAGEMENT AND STAFF

NAME	TITLE
Mr. David Kim	Director of Internal Audit
Mr. Mark Adviento	Senior Internal Auditor

In addition to interviews with the individuals listed above, broad-based and confidential surveys were conducted by IIA Quality Services. Surveys were sent to senior management and stakeholders throughout the organization. A separate survey was sent to internal audit management and staff.

Stakeholder Feedback

SURVEY RESULTS (SUMMARY)



“Client” represents the weighted average of all stakeholder respondents in OCERS.
“Universe” represents the weighted average of all respondents from all organizations that completed this survey since May 2013 (excluding Group 1, which is reserved for the CAE)..

4.00 = Strongly Agree | 3.00 = Agree | 2.00 = Disagree | 1.00 = Strongly Disagree | 0.00 = Do Not Know/No Response

Stakeholder Feedback

COMMENTS RECEIVED DURING INTERVIEWS AND SURVEYS

The summary comments listed below represent general themes expressed by more than one stakeholder during stakeholder interviews and/or surveys that were validated by the Assessment Team. All stakeholder interviews were conducted privately with the assessment team. All surveys were conducted in a confidential manner. Statistical results of surveys are presented separately from these comments.

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> ▪ Our IA team is good at audit planning, execution of the audit, and correcting/negotiating audit observations when necessary. ▪ Their communication with us was outstanding. It felt like a partnership and not an audit. ▪ They are dedicated and understand the importance of what they are doing for the organization and its members. ▪ They are familiar with every aspect of the business and have a strong management team. ▪ IA is easy to work with and willing to work around busy schedules. ▪ They are organized, professional, objective and have strong ethics. ▪ Well-organized audit report with clear, specific Observations. 	<ul style="list-style-type: none"> ▪ It could potentially be helpful to have someone with a technical background in the IA department, perhaps with a Certified Information Systems Auditor (CISA) designation to manage and execute technology related audits. ▪ Instead of back-and-forth emails, it would be more efficient to meet in person to answer questions immediately. ▪ Focus on high-risk areas, share best practices for internal control regularly. ▪ With the ongoing turnover in payroll, finance and HR - additional audits would ensure that transitioning duties and the importance of accurate retirement reporting is held at the highest level of accuracy to avoid adjustments or corrections to Employees retirement activities.



All information included in this report is proprietary and confidential and is intended for internal use only. This report may not be distributed to any other third-party (other than your regulator, External Audit Committee, or external auditor) without the prior written consent of IIA Quality Services, LLC.

IIA Quality Services, LLC | 1035 Greenwood Boulevard, Suite 401, Lake Mary, FL 32746 | www.theiia.org/quality | quality@theiia.org



Memorandum

DATE: January 19, 2024
TO: Members of the Audit Committee
FROM: D. Kim, Director of Internal Audit
SUBJECT: REPORTING OF INTERNAL AUDIT KEY PERFORMANCE INDICATORS

Presentation

Background/Discussion

As the Internal Audit department has expanded from two to four team members, we introduced formal key performance indicators (KPIs) Internal Audit at the December 2022 Audit Committee meeting. The KPIs are used to measure our performance by ensuring quality and risk-based assurance services. Additionally, the KPIs help ensure staff skills are current and relevant to the audit profession.

The results of the Internal Audit KPIs are reported below:

1. Annual Audit Plan Approved by Audit Committee
 - The Annual Internal Audit plan is prepared on a risk-based approach. The Annual Internal Audit plan is submitted to the Audit Committee for review and approval.
 - **Met** – The 2023 Annual Internal Audit plan was approved by the Audit Committee at the December 2022 Committee meeting.
2. Audit workpapers are reviewed 4 weeks after initial draft audit report.
 - Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.
 - **Met** – The audit workpapers from the nine audits with draft reports from the 2023 Annual Internal Audit plan were reviewed on average two weeks from initial draft report issuance.
3. Timely report issuance – 80% of draft audit reports are issued to management within six months from the start of fieldwork.
 - Internal Auditors must communicate the results of engagements. Timely reporting indicates effective engagement management and provides management with more timely recommendations to implement management action plans.
 - **Met** – 100% of the nine audits with draft reports from the 2023 Annual Internal Audit plan were issued to management within six months of start of field work.
4. Team members complete at least 20 hours for professional development training each year.
 - Training ensures each team member's skill set remains current and relevant.
 - **Met** – An average of over 80 hours of training per auditor was achieved in 2023.
5. Complete an external quality assessment review at least once every five years.
 - A quality assessment review (QAR) compares OCERS' internal audit activities against the International Standards for the Professional Practice of Internal Auditing (the Standards).



Memorandum

Compliance with the Standards speaks to the effectiveness and efficiency of our internal audit function.

- **Met** – The QAR was performed in 2023 and reported at the January 2024 Audit Committee meeting.

Submitted by:



DK- Approved

David Kim
Director of Internal Audit



Memorandum

DATE: January 19, 2024
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.

Please note, the report has been modified to report open action plans by project followed by closed action plans by project.

As per the External Quality Assessment, future reports will be modified to highlight aged outstanding open items for the Audit Committee’s discussion.

Submitted by:



DK - Approved

David Kim

Director of Internal Audit



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, 2023, ARCHIVED	OPEN	Closed - No Further Action Required (YTD)	Closed - No Further Action Required (Prior Years)	Total
Process Owner				
EMPLOYER	4	2	15	21
EXECUTIVE	0	1	7	8
FINANCE	0	0	3	3
HUMAN RESOURCES	3	0	2	5
INFORMATION SECURITY	1	0	0	1
INFORMATION TECHNOLOGY	5	2	9	16
INVESTMENTS	0	0	9	9
MEMBER SERVICES	4	0	35	39
Total Count:	17	5	80	102



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."



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:	12/31/2024
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 reviews to begin in Q1 2024 with policies documented by Dec 2024.

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:	04/15/2024
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:	New systems had been implemented. IT will develop testing templates and scenarios and will coordinate with management to perform testing for IT managed systems.

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



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."



Process Owner:	INFORMATION TECHNOLOGY
Due Date:	04/15/2024
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:	New systems have been implemented. Documentation of the recovery process to be finalized by Q2 2024. 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: 1

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:	12/31/2024
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: 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
-----------------------	----------------------



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."



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 - A LUMP SUM BENEFICIARY PAYMENT TO A DECEASED DRO SURVIVOR PAYEE'S ESTATE WAS OVERPAID BY \$200.		
Process Owner:	MEMBER SERVICES	
Due Date:	04/30/2024	
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:	Primary SME is currently on leave. Item will be addressed upon return.	

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:	07/31/2024	
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:		



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."



Project: 63 - 2235 - The Toll Roads Employer Audit

REPORT DATE: 02/14/2023

OPEN

Open Observations: 1

OBSERVATION #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:	IA confirmed the quarterly review process is now performed. Due to change in management, awaiting updates regarding the Policy revision.

Project: 67 - 2202 - Alameda Audit

REPORT DATE: 04/05/2023

OPEN

Open Observations: 1

OBSERVATION #3 - 3. FOR ONE RETIREE IN OUR SAMPLE, THREE PAY ITEMS IN ONE PARTIAL PAY PERIOD WERE NOT PRORATED IN A CONSISTENT MANNER.

Process Owner:	MEMBER SERVICES
Due Date:	01/31/2024
Action Plan:	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.
IA Follow-Up:	Member Services to provide the procedure



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."



Project: 68 - 2334 - Member Data Maintenance_Bank Account Changes

REPORT DATE: 06/01/2023

OPEN

Open Observations: 2

OBSERVATION #4 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

Process Owner: MEMBER SERVICES
Due Date:
Action Plan: Details Removed - Discussed in Closed Session
IA Follow-Up:

OBSERVATION #5 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

Process Owner: MEMBER SERVICES
Due Date:
Action Plan: Details Removed - Discussed in Closed Session
IA Follow-Up:

Project: 71 - 2361 - HR audit of hiring practices

REPORT DATE: 10/11/2023

OPEN

Open Observations: 3

OBSERVATION #1 - HUMAN RESOURCES (HR) DOES NOT HAVE FORMAL PROCEDURAL DOCUMENTATION FOR THE HIRING AND RECRUITING PROCESS.

Process Owner: HUMAN RESOURCES
Due Date: 12/31/2024
Action Plan: The Human Resources department will develop procedures for the hiring and recruitment practices.



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."



IA Follow-Up:

OBSERVATION #3 - OCERS IS USING THE STANDARD COUNTY BACKGROUND CHECK INSTEAD OF OCERS' MORE EXTENSIVE 3RD PARTY BACKGROUND CHECK FOR ALL NEW COUNTY EMPLOYEES WHO WILL GAIN ACCESS TO CONFIDENTIAL MEMBER DATA WITHIN THE PENSION ADMINISTRATION SYSTEM (PAS).

Process Owner: HUMAN RESOURCES

Due Date: 12/31/2024

Action Plan: The HR department will schedule a meeting with the County to discuss next steps needed to institute more extensive background checks.

IA Follow-Up:

OBSERVATION #4 - HUMAN RESOURCES IS MAINTAINING TERMINATED EMPLOYEE PERSONNEL RECORDS BEYOND THAT ALLOWED PER OCERS BOARD RECORDS MANAGEMENT POLICY.

Process Owner: HUMAN RESOURCES

Due Date: 12/31/2024

Action Plan: A request to increase the retention period for personnel files from 4 to 7 years will be made to the Governance Committee at their next review of the Records Management policy. All personnel files outside of the 7-year window were destroyed.

IA Follow-Up:

Project: 74 - 2337 - Employer audit of IHSS Public Authority

REPORT DATE: 10/11/2023

OPEN

Open Observations: 3

OBSERVATION #2 - FOR ONE ACTIVE MEMBER, IHSS PA INCORRECTLY REPORTED THE SERVICE HOURS IN THE TRANSMITTAL FILES FOR 12 CONSECUTIVE PAY PERIODS FROM AUGUST 2022 TO JANUARY 2023.

Process Owner: EMPLOYER

Due Date: 09/29/2023

Action Plan: IHSS PA will correct the member's transmittal records to reflect actual hours worked in the service hours column via payroll transmittal adjustment files.

IA Follow-Up: IHSS PA is working on the update and requested additional information.

OBSERVATION #3 - IHSS PA'S SALARY INCREASE AUTHORIZATION FORMS DO NOT HAVE THE EMPLOYEE'S TITLE CODE, TITLE DESCRIPTION, AND PAY GRADE.

Executed: 1/11/2024 4:37:13 PM
 Executed By: OCERS\dkim

Doc. No. 0080-0120-R0001
 Page 7 of 41



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."



Process Owner:	EMPLOYER
Due Date:	09/29/2023
Action Plan:	IHSS PA will amend its Salary Increase Authorization forms to evidence the title code, title description and pay grade consistent with The County of Orange's pay schematics.
IA Follow-Up:	IHSS PA is working on the update and requested additional information.

OBSERVATION #4 - 4. FOR NINE MEMBERS IN OUR TEST SAMPLE, THE MEMBER AFFIDAVIT FORM WAS INCOMPLETE REGARDING THE MEMBER'S PREVIOUS PUBLIC SERVICE OR MISSING A WITNESS SIGNATURE.

Process Owner:	EMPLOYER
Due Date:	09/29/2023
Action Plan:	IHSS PA will work with OCERS employer payroll team and determine if an amended Member Affidavit form should be sent to OCERS, or if another form of documentation should be sent to OCERS. IHSS PA will develop a process to confirm the forms are completed when onboarding a new employee.
IA Follow-Up:	IHSS PA is working on the update and requested additional information.



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."



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

REPORT DATE: 12/04/2012

CLOSED

Closed Observations: 3

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 #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.

Executed: 1/11/2024 4:37:13 PM
 Executed By: OCERS\dkim

Doc. No. 0080-0120-R0001
 Page 9 of 41



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."



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

REPORT DATE: 07/10/2014

CLOSED

Closed Observations: 2

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



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."

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.

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

REPORT DATE: 08/06/2015

CLOSED

Closed Observations: 5

OBSERVATION #1 - NO DUE DILIGENCE POLICY

Process Owner:	INVESTMENTS
Completion Date:	01/07/2021
Action Plan:	<p>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.</p>
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:	<p>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.</p> <p>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.</p>
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.

Executed: 1/11/2024 4:37:13 PM
 Executed By: OCERS\dkim

Doc. No. 0080-0120-R0001
 Page 11 of 41



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."



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.

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.



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."



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

REPORT DATE: 03/21/2016

CLOSED

Closed Observations: 1

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.

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

Executed: 1/11/2024 4:37:13 PM
 Executed By: OCERS\dkim

Doc. No. 0080-0120-R0001
 Page 13 of 41



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."



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.
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



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."



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

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.



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."



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.
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: 11/29/2016

CLOSED

Closed Observations: 1

OBSERVATION #1 - WORK IN PROCESS REPORTING

Process Owner:	MEMBER SERVICES
Completion Date:	04/07/2021

Executed: 1/11/2024 4:37:13 PM
 Executed By: OCERS\dkim

Doc. No. 0080-0120-R0001
 Page 16 of 41



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."



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.

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

REPORT DATE: 03/22/2017

CLOSED

Closed Observations: 3

OBSERVATION #1 - MANUAL TRANSMITTAL FILE ADJUSTMENTS

Process Owner: EMPLOYER

Completion Date: 08/11/2020

Action Plan: Management agreed to the following recommendation: 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.

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.

Executed: 1/11/2024 4:37:13 PM
 Executed By: OCERS\dkim

Doc. No. 0080-0120-R0001
 Page 17 of 41



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."



IA Follow-Up: IA noted that SJG has submitted manual payroll adjustments for employees Away On Leave into V3, as required by OCERS.

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

REPORT DATE: 10/23/2018

CLOSED

Closed 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

Completion Date: 01/11/2024

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: IA confirmed the delegation of the configuration uploads to the IT Programming team and the review by Member Services of the updates to the pension administration system.

Project: 22 - Audit of Orange County Superior Court Payroll Transmittal (2018)

REPORT DATE: 11/08/2018

CLOSED

Closed Observations: 1

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.



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."



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

Action Plan: Member Services will be continuing to review with increased diligence or newly implementing to ensure accuracy of Disability benefits that are setup:

- 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: 1

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.



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."



Project: 44 - 1944 - Finance Benefits Audit

REPORT DATE: 01/13/2020

CLOSED

Closed Observations: 2

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.
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.

Project: 39 - 1971-IT General Controls

REPORT DATE: 06/04/2020

CLOSED

Closed Observations: 3

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.



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."



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

Process Owner:	INFORMATION TECHNOLOGY
Completion Date:	08/23/2023
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 #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

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



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
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



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."



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.

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: 7

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



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."



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.

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

Process Owner:	INFORMATION TECHNOLOGY
Completion Date:	01/11/2024
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 updated the related procedures.

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
Completion Date:	05/15/2023



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."



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: Internal Audit confirmed a Member Services procedural document was created.

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.

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:



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."



Action Plan: 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).

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

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



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."



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
Action Plan:	<p>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.</p>
IA Follow-Up:	Internal Audit confirmed the documents have been uploaded and the feedback to the team members have been provided.



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."



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: 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.

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.

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

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

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



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: <ul style="list-style-type: none"> • 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

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.

Executed: 1/11/2024 4:37:13 PM
 Executed By: OCERS\dkim

Doc. No. 0080-0120-R0001
 Page 29 of 41



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."



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 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.

CLOSED

Project:	59 - 2232 - Quarterly FAS Review (Q1 2022)
REPORT DATE:	03/30/2022
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	
Process Owner:	MEMBER SERVICES

CLOSED

Executed: 1/11/2024 4:37:13 PM
 Executed By: OCERS\dkim

Doc. No. 0080-0120-R0001
 Page 30 of 41



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."



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
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
Closed Observations:	8	
OBSERVATION #1 - OCERS DID NOT COMPLY WITH OCERS PROCUREMENT AND CONTRACTING POLICY (POLICY) REGARDING CONTRACTS AWARDED TO TWO DIFFERENT VENDORS.		



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."



Process Owner:	EXECUTIVE
Completion Date:	01/11/2024
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:	IA confirmed management developed the training, updated the Policy and retained documents in the CMS.

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

Process Owner:	EXECUTIVE
Completion Date:	04/20/2023
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:	IA confirmed the Policy was updated with the provision for the Contract Administrator to ensure signatures comply with signature requirements.

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



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."



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 #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
Completion Date:	04/20/2023
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:	IA confirmed the Policy was updated to define when a written contract was required.

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.

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

Process Owner:	EXECUTIVE
Completion Date:	04/20/2023
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.



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."



IA Follow-Up: IA confirmed the Policy was updated to address instances when a contract value is not known at the time of execution, and to clarify the proper approval of Named Service Providers. Diverse Vendor tracking action plan is complete

Project: 63 - 2235 - The Toll Roads Employer Audit

REPORT DATE: 02/14/2023

CLOSED

Closed Observations: 3

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

Process Owner:	EMPLOYER
Completion Date:	05/02/2023
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:	IA confirmed transmittal adjustments were recorded in V3. TCA has been working with OCERS to find opportunities to automate the payroll transmittal.

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

Process Owner:	EMPLOYER
Completion Date:	03/22/2023



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."

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.

Project:	65 - 2332 - OC Superior Court	CLOSED
REPORT DATE:	04/05/2023	
Closed Observations:	2	

OBSERVATION #1 - THIRTEEN MEMBERS PREVIOUSLY SEPARATED FROM SUPERIOR COURT WERE STILL CLASSIFIED WITH ACTIVE STATUS IN THE PENSION ADMINISTRATION SYSTEM (PAS).

Process Owner:	EMPLOYER
Completion Date:	08/01/2023
Action Plan:	OC Superior Court to send existing records of OCERS Termination Notices to eaa@ocers.org for all 13 members indicating the separation dates.
IA Follow-Up:	IA confirmed status for all 13 members.

OBSERVATION #2 - 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.

Process Owner:	EMPLOYER
Completion Date:	04/17/2023
Action Plan:	<p>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: "Are you a member of any other public retirement system in the state of California?" <p>If yes, please list other public retirement systems along with dates of service. If no please respond to confirm you do not have any other public service in California" 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: "Are you a member of any other public retirement system in the state of California?" <p>If yes, please list other public retirement systems along with dates of service. If no please respond to confirm you do not have any other public service in California" Emails to be sent by the Court HR to the employees to obtain their responses</p>

Executed: 1/11/2024 4:37:13 PM
 Executed By: OCERS\dkim



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."



IA Follow-Up: IA Confirmed the necessary information was provided to OCERS

Project: 64 - 2331 - Children and Families Commission

REPORT DATE: 04/05/2023

CLOSED

Closed Observations: 3

OBSERVATION #1 - FOUR MEMBERS PREVIOUSLY SEPARATED FROM CFCOC WERE STILL CLASSIFIED WITH ACTIVE STATUS IN THE PENSION ADMINISTRATION SYSTEM (PAS).

Process Owner:	EMPLOYER
Completion Date:	05/02/2023
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.
IA Follow-Up:	IA confirmed the status was updated for the four members.

OBSERVATION #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.

Process Owner:	EMPLOYER
Completion Date:	08/01/2023
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. CFCOC will either amend or correct affidavits currently on file that are incomplete depending on direction from OCERS.
IA Follow-Up:	IA confirmed updated member affidavit forms.

OBSERVATION #3 - THERE ARE NO FORMAL INTERNAL GUIDELINES HELPING TO MONITOR INDEPENDENT CONTRACTORS FOR COMPLIANCE WITH IRS REGULATIONS DEFINING INDEPENDENT CONTRACTORS.

Process Owner:	EMPLOYER
Completion Date:	05/04/2023
Action Plan:	CFCOC staff will work with Commission Counsel and develop internal guidelines.



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."



IA Follow-Up: IA confirmed internal guidelines were developed.

Project: 67 - 2202 - Alameda Audit

REPORT DATE: 04/05/2023

CLOSED

Closed Observations: 2

OBSERVATION #1 - 1. INTERNAL AUDIT NOTED A 6.7% ERROR RATE (TWO ERRORS OUT OF THE SAMPLE OF 30) WITH THE FAS CALCULATIONS SAMPLED.

Process Owner: MEMBER SERVICES

Completion Date: 05/15/2023

Action Plan: 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.

IA Follow-Up: Internal Audit confirmed the communication was made to the contractors to follow the documented procedure. The payroll deadline was also extended from 30 to 45 days.

OBSERVATION #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).

Process Owner: MEMBER SERVICES

Completion Date: 05/15/2023

Action Plan: 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 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 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.

IA Follow-Up: Confirmed new control for overpayment allocation was implemented.



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."



Project: 68 - 2334 - Member Data Maintenance_Bank Account Changes

REPORT DATE: 06/01/2023

CLOSED

Closed Observations: 3

OBSERVATION #1 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

Process Owner: MEMBER SERVICES
Completion Date: 06/01/2023
Action Plan: Details Removed - Discussed in Closed Session
IA Follow-Up: Internal Audit confirmed management action plan has been implemented.

OBSERVATION #2 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

Process Owner: MEMBER SERVICES
Completion Date: 12/18/2023
Action Plan: Details Removed - Discussed in Closed Session
IA Follow-Up: Member Services provided examples of reviewed confirmation letters.

OBSERVATION #3 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

Process Owner: MEMBER SERVICES
Completion Date: 12/18/2023
Action Plan: Details Removed - Discussed in Closed Session
IA Follow-Up: Member Services provided IT ticket to PAS vendor for letter generation.



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."



Project: 72 - 2301 - Alameda 2nd audit

REPORT DATE: 10/11/2023

CLOSED

Closed Observations: 1

OBSERVATION #1 - INTERNAL AUDIT NOTED 13% OF THE ALAMEDA CONTRIBUTION REFUND RE-CALCULATIONS WERE INCORRECT DUE TO A RECENT CHANGE IN THE PENSION ATTRIBUTE FOR A SPECIFIC PAY ITEM. THIS DOES NOT IMPACT FAS.

Process Owner:	MEMBER SERVICES
Completion Date:	12/18/2023
Action Plan:	Member Services Management team reviewed the process for performing the recalculation of the Contribution Refunds as it pertains to the PHP pay item. As Internal Audit confirmed with the subsequent months' members affected by PHP, our process was corrected to include these amounts (reverse pickup rate) in our subsequent calculations. Member Services has also provided Internal Audit with the files containing the corrected contribution refund calculations for the five members noted. These revised contribution and interest amounts were used in total to offset the member's overpayment and thus did not get paid directly to the members as a refund. We have also worked with the county to create a new pay item for PHP pay item in the PAS as a result to ensure future benefits automatically include the pay in the retirement benefits.
IA Follow-Up:	Member Services adjusted the process to include the reverse pickup rate.

Project: 73 - 2333 - Audit of OCFA employer audit

REPORT DATE: 10/11/2023

CLOSED

Closed Observations: 3

OBSERVATION #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:	09/14/2023
Action Plan:	The member has checked the appropriate box to indicate no prior public service. The amended form has been provided to OCERS Internal Audit team to provide to Member Services.
IA Follow-Up:	IA confirmed the updated member affidavit.

OBSERVATION #2 - TWO PERSONNEL ACTION FORM (PAF) APPROVALS DID NOT HAVE AN APPROVAL SIGNATURE FROM THE DEPARTMENT HEAD, ONLY APPROVAL FROM HUMAN RESOURCES.

Process Owner:	EMPLOYER
-----------------------	----------

Executed: 1/11/2024 4:37:13 PM
 Executed By: OCERS\dkim

Doc. No. 0080-0120-R0001
 Page 39 of 41



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."



Completion Date: 09/12/2023

Action Plan: The PAF is designed to cover all of the personnel actions that occur within the agency. While the form has multiple signature lines, not every signature line is required to authorize a given action (e.g., a COLA increase, changing Org numbers (which occurs frequently based on reassignments to different stations). An Assistant Chief or Deputy Chief can be the single signatory in those instances. In the case of a COLA increase, a PAF, while not required, is done to simply document the increase and would not need multiple signatures. Multiple signatures are required for Merit Increases, Initial Hire, and Reductions. However, if it's a HR employee then a single signature from the Assistant Chief of Human Resources or Deputy Chief of Administration and Support would suffice, which is the case with one of the two sampled PAFs.

IA Follow-Up: OCFA noted the Assistant Chief of Human Resources has signed the PAF.

OBSERVATION #3 - MEMBERSHIP ELIGIBILITY REVIEW OCCURS BUT IS NOT FORMALLY DOCUMENTED.

Process Owner: EMPLOYER

Completion Date: 01/11/2024

Action Plan: The Human Resources Manager over Benefits will review and sign the biweekly Extra-Help report submitted by Finance. HR Benefits and Payroll personnel have communicated regarding new process going forward.

IA Follow-Up: IA confirmed OCFA HR Manager is signing the biweekly Extra-Help report.

Project: 74 - 2337 - Employer audit of IHSS Public Authority

REPORT DATE: 10/11/2023

CLOSED

Closed Observations: 1

OBSERVATION #1 - IHSS PA IS INCORRECTLY ADDING NON-PENSIONABLE OVERTIME PAY TO PENSIONABLE SALARY IN ITS BI-WEEKLY PAYROLL TRANSMITTAL FILES.

Process Owner: EMPLOYER

Completion Date: 01/10/2024

Action Plan: IHSS PA will work with OCERS Member Services to add non-pensionable overtime as a separately reported pay item in the transmittal files, as described in OCERS Board Pay Item Review policy.

IA Follow-Up: IHSS provided support for the implementation of a new pay item.



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."



Project: 71 - 2361 - HR audit of hiring practices

REPORT DATE: 10/11/2023

CLOSED

Closed Observations: 1

OBSERVATION #2 - OCERS'S INTERNAL EMPLOYMENT OFFER WORKSHEET IS NOT FORMALLY DOCUMENTED WITH THE RATIONALE FOR HIRING A CANDIDATE.

Process Owner:	HUMAN RESOURCES
Completion Date:	09/21/2023
Action Plan:	The HR department has added language that supports the CEO's approval criteria to the Employment Offer Worksheet. Hiring managers will now be required to acknowledge they have met the CEO's approval requirements. Additionally, the CEO will acknowledge that he has met with the hiring manager and approve extending an offer of employment to the selected candidate.
IA Follow-Up:	Internal Audit confirmed the Employment Offer Worksheet was updated with the CEO acknowledgement.

Project: 75 - 2361 - HR audit of hiring practices

REPORT DATE: 10/11/2023

CLOSED

Closed Observations: 1

OBSERVATION #5 - FOR ONE SAMPLE, DOCUMENTATION OF A CANDIDATE'S REFERENCE VERIFICATION WAS MISSING THE HR ANALYST'S SIGNATURE AND DATE.

Process Owner:	HUMAN RESOURCES
Completion Date:	11/21/2023
Action Plan:	Phone records demonstrated the reference was completed timely however the form was not signed and dated for one sample. In the third quarter of 2022, the HR department implemented Survey Monkey to automate the employment & reference verification process. Employers and references are emailed a link and asked to complete the survey by a specific date. The survey requires the verifier to provide their name and job title and includes a time stamp to confirm the verification was completed prior to the new employee's start date.
IA Follow-Up:	Confirmed the use of Survey Monkey for reference checks.