ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

BOARD OF RETIREMENT
2223 WELLINGTON AVENUE, SUITE 100
SANTA ANA, CA 92701

AUDIT COMMITTEE MEETING
March 26, 2019
1:00 p.m.

Members of the Committee
Frank Eley, Chair
Charles Packard, Vice Chair
Jeremy Vallone
Shari Freidenrich

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

PUBLIC COMMENTS

At this time, members of the public may comment on (1) matters <u>not</u> included on the agenda, provided that the matter is within the subject matter jurisdiction of the Board; and (2) any matter appearing on the Consent Agenda. **Persons wishing to provide public comment at this time should fill out a speaker card located at the back of the room and deposit it in the Recording Secretary's box located near the back counter.** When addressing the Board, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

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

CONSENT AGENDA

C-1   APPROVE AUDIT COMMITTEE MINUTES

> **Audit Committee Meeting Minutes**   **February 7, 2018**

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. **Persons wishing to provide**

comment on a matter listed on the agenda should fill out a speaker card located at the back of the room 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   **HOTLINE UPDATE**
       Presentation by David Kim, Director of Internal Audit

       <u>**Recommendation:**</u> Receive and file.

A-3   **IIA EXTERNAL QUALITY PEER REVIEW REPORT**
       Presentation by George Shemo, IIA Quality Services (via teleconference)

       <u>**Recommendation:**</u> Receive and file.

INFORMATION ITEMS

I-1   **2018 FINANCIAL STATEMENT AUDIT – ENTRANCE CONFERENCE**
       Presentation by Linda Hurley and Amy Chiang, Macias Gini & O'Connell

I-2   **OPERATIONAL RISK MANAGEMENT PROGRAM UPDATE**
       Presentation by Brenda Shott, Assistant CEO of Internal Operations, OCERS and David Kim, Director, Internal Audit

I-3   **STATUS UPDATE OF 2019 AUDIT PLAN**
       Written Report

* * * * * * * END OF OPEN SESSION AGENDA * * * * * *

COMMITTEE MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

ADJOURNMENT

NOTICE OF NEXT MEETINGS

INVESTMENT COMMITTEE MEETING
March 28, 2019
9:00 A.M.

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

DISABILITY COMMITTEE MEETING
April 2, 2019
10:00 A.M.

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

REGULAR BOARD MEETING
April 15, 2019
9:00 A.M.

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

All supporting documentation is available for public review in the retirement office during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Thursday and 8:00 a.m. – 4:30 p.m. on Friday.

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 by calling 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.

C-1

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

BOARD OF RETIREMENT
2223 WELLINGTON AVENUE, SUITE 100
SANTA ANA, CA 92701

AUDIT COMMITTEE MEETING
February 7, 2019
9:00 a.m.

Members of the Committee
Frank Eley, Chair
Charles Packard, Vice Chair
Jeremy Vallone
Shari Freidenrich

MINUTES

OPEN SESSION

The Chair called the meeting to order at 9:22 a.m.

Attendance was as follows:

Committee Members: Frank Eley, Chair; Charles Packard, Vice Chair; Jeremy Vallone; Shari Freidenrich

Staff: Steve Delaney, CEO; Gina Ratto, General Counsel; David Kim, Director of Internal Audit; Brenda Shott, Assistant CEO of Internal Operations; Suzanne Jenike, Assistant CEO External Operations; Molly Murphy, Chief Investment Officer; Mark Adviento, Internal Auditor; Sonal Sharma, Recording Secretary; Anthony Beltran, Audio Visual Technician.

PUBLIC COMMENT
None.

CONSENT AGENDA

C-1   APROVE AUDIT COMMITTEE MINUTES

Audit Committee Meeting Minutes   December 11, 2018

A **motion** was made by Mr. Freidenrich, **seconded** by Mr. Eley to approve the minutes.

I-1   AUDIT COMMITTEE CHARTER OVERVIEW
Presentation by David Kim, Director of Internal Audit

A-2   HOTLINE UPDATE
Presentation by David Kim, Director of Internal Audit

Recommendation: Receive and file.

A **motion** was made by Mr. Freidenrich, **seconded** by Mr. Vallone to receive and file.

A-3   **AUDIT OF OCERS' DISABILITY PAYMENTS**
Presentation by David Kim, Director of Internal Audit

Recommendation: Receive and file.

Mr. Packard joined at 10:04 a.m.

A **motion** was made by Mr. Packard, **seconded** by Mr. Vallone to receive and file.

A-4   **CONSIDERATION OF 2019 RISK ASSESSMENT AND 2019 AUDIT PLAN**
Presentation by David Kim, Director of Internal Audit

Recommendation: Approve the 2019 Risk Assessment and 2019 Audit Plan.

A **motion** was made by Mr. Packard, **seconded** by Mr. Vallone to receive and file.

I-2   **STATUS UPDATE OF 2018 AUDIT PLAN**
Written Report

COMMITTEE MEMBER COMMENTS
None.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS
None.

COUNSEL COMMENTS

None.

ADJOURNMENT

The Chair adjourned the meeting at 10:23am.

A-2

Memorandum

DATE: March 26, 2019

TO: Members of the Audit Committee

FROM: David Kim, Director of Internal Audit

SUBJECT: HOTLINE UPDATE

Recommendation

Receive and file.

Background/Discussion

Internal Audit regularly updates the Audit Committee when new reports are made to the hotline.

Internal Audit received two reports from the hotline:

- February 7, 2019 – Member was following up on a benefit letter request. Member Services mailed the benefit letter after the member's first payment had been sent, pursuant to regular department procedures. Member Services also left the member a message.

- February 25, 2019 – Member was a victim of fraud, unrelated to OCERS, and called to confirm the bank account change the member had initiated was updated in OCERS' system. Member Services contacted the member to validate the information after verifying the member's identification.

The reports are not considered an ethics violation such as fraud, harassment, conflict of interest, or an illegal activity related to OCERS.

Submitted by:

David Kim
Director of Internal Audit

A-3

Memorandum

DATE: March 26, 2019

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. That review was completed in January 2019 with an overall opinion that OCERS' Internal Audit Division "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 into the current transition of the function. Notably, Internal Audit is introducing an annual internal quality assessment program, developing a management action plan follow-up process and implementing an IT audit program.

Submitted by:

_____

David Kim
Director of Internal Auditor

Internal Audit
External Quality Assessment
Presented to:

Orange County
Employees Retirement System

December 2018

Orange County
Employees Retirement System
Internal Audit Division

It is our overall opinion that Internal Audit "Generally Conforms" with the *Standards* and the IIA Code of Ethics.

This level of conformance 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	
Standard	Rating
1000	GC
1100	GC
1300	PC
Code of Ethics	GC

Staff	
Standard	Rating
1200	GC

Management	
Standard	Rating
2000	GC
2100	GC
2600	GC

Process	
Standard	Rating
2200	PC
2300	GC
2400	GC
2500	DNC

Thank you for the opportunity to be of service to Internal Audit. We will be pleased to respond to further questions concerning this report and furnish any desired information.

George J Shemo, CPA, CFE, CGMA
Team Leader
IIA Quality Services, LLC

Tracy Darakjian, CIA
Director, Quality
IIA Quality Services, LLC

Team Members:
Anne Etter, CIA, CRMA, CPA
David MacCabe, CIA, CRMA, CGAP

THE INSTITUTE OF INTERNAL AUDITORS, INC.
PROGRESS THROUGH SHARING
NEW YORK 1941
CORPORATE SEAL

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List of Acronyms

Acronym	Description
AC	Audit Committee
CAATs	Computer-Assisted Audit Techniques
CAE	Chief Audit Executive
Core Principles	Core Principles for the Professional Practice of Internal Auditing
EQA	External Quality Assessment
ERM	Enterprise Risk Management
IAD	Internal Audit Division
IIA	The Institute of Internal Auditors
IPPF	International Professional Practices Framework
IT	Information Technology
OCERS	Orange County Employees Retirement System
QAIP	Quality Assurance and Improvement Program
Standards	*International Standards for the Professional Practice of Internal Auditing*

Executive Summary

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Executive Summary

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 qualified assessment team who performed this EQA demonstrated competence in both the professional practice of internal auditing and the EQA process as required by the *Standards*. The Orange County Employees Retirement System (OCERS) internal audit activity (Internal Audit Division) (IAD), in consultation with the Audit Committee (AC), selected the Institute of Internal Auditors ("IIA") Quality Services, LLC to lead their review. The onsite portion of the EQA took place during the week of December 3, 2018 and the final conclusions made by the independent assessment team were as of December 7, 2018 – the last date of the onsite portion of the EQA. Future changes in environmental factors and actions taken by personnel, including actions taken to address recommendations, may have an impact upon the operation of IAD 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.

Opinion as to Conformance with the *Standards* and the IIA Code of Ethics

It is our overall opinion that IAD generally conforms with the *Standards* and the IIA Code of Ethics. 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. A detailed list of conformance to individual *Standards* and the IIA Code of Ethics are included within the report. An opinion of "generally conforms with the *Standards"* supports use of the terms "Conforms with the *International Standards for the Professional Practice of Internal Auditing"* or "Conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing"* within audit reports and/or charters.

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform*."* "Generally Conforms" is the top rating and means the assessor or assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the *Standards* and the IIA Code of Ethics in all material respects. Detailed definitions for rating criteria associated with "Generally Conforms", "Partially Conforms", and "Does Not Conform" are described in Attachment A of this report and are consistent with the guidance provided by the IIA in their *Quality Assessment Manual.*

Objectives of the EQA

The principal objectives of the EQA were to (1) assess IAD conformance with the *Standards* and the IIA Code of Ethics; (2) assess the effectiveness of IAD in providing assurance and advisory services to the Audit Committee, senior stakeholders within OCERS, and other interested parties; and (3) identify opportunities, offer recommendations for improvement, and provide counsel to IAD for improving their performance and services and promoting their image and credibility.

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Executive Summary

Scope of the EQA

The scope of the EQA included the IAD, as set forth in the IAD Charter approved by the AC. The IAD Charter defines the purpose, authority, responsibility, and accountability of the IAD.

Methodology of the EQA

To accomplish the objectives, the independent assessment team (the team) reviewed information prepared by IAD at the team's request; conducted interviews with selected key stakeholders of IAD including the AC chair, senior executives and operating management, the external auditors, and IAD management and staff; reviewed a sample of audit projects and associated work papers and reports; reviewed survey data received from executives and management, and prepared diagnostic tools consistent with the methodology established for an EQA in the IIA *Quality Assessment Manual.*

QUALITY ASSESSMENT PROCESS MAP
Programs

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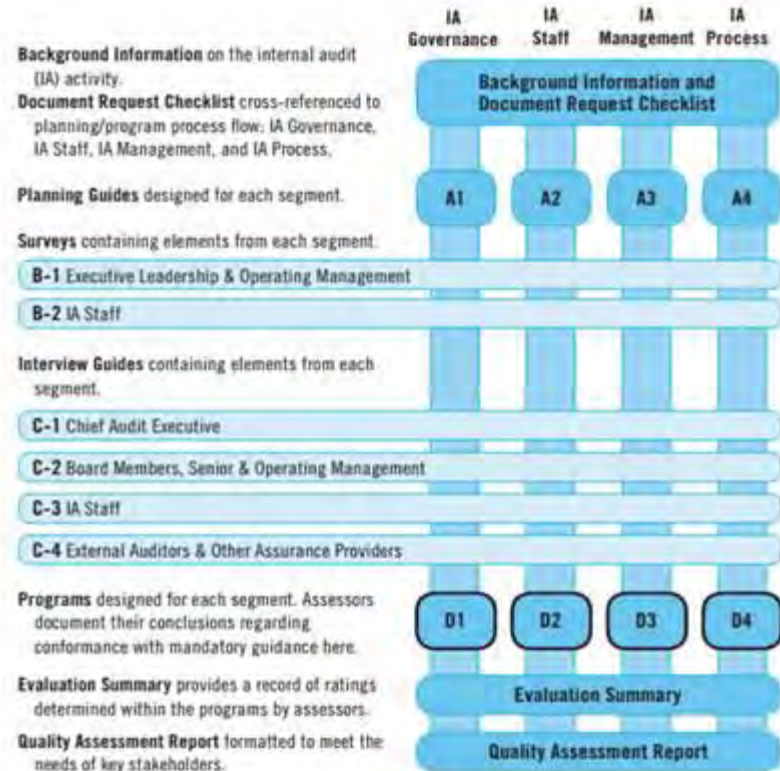
Executive Summary
Observations Specific to Internal Audit

Overall

IAD generally conforms with the *Standards* and the IIA Code of Ethics. This level of conformance demonstrates a clear intent and commitment to achieving the Core Principles and the Definition of Internal Auditing. IAD operates in an environment of considerable risks related to providing and protecting the benefits that are due to their membership of active, deferred and retired members. Their ability to adapt and be responsive to change, combined with their ability to leverage insight on risks impacting the OCERS into focused audit plans, will continue to be critical to their success and value to the organization. The Chief Audit Executive ("CAE") is committed to continuous improvement and alignment of IAD operations with the *Standards* and the IIA Code of Ethics. The IAD annual planning process focuses activities in areas of risk identified with the input of senior management and the Audit Committee, consistent with the strategies and objectives of OCERS. The IAD is a critical component of the governance structure, and they appropriately monitor the effectiveness of risk management and control activities. Results of interviews and surveys of key stakeholders indicate that Internal Audit is highly valued by the Audit Committee and senior management.

Attribute Standards

The IAD has the infrastructure in place to support sustainability of internal audit processes in a quality and consistent manner. The IAD Charter is comprehensive and is foundational to all their activities. The functional and administrative reporting relationships support organizational independence and objectivity. The nature of IAD's functional reporting relationship to the Audit Committee is specifically described in the Audit Committee Charter. Independence and objectivity of IAD management and staff is supported by language in the IAD Charter and the IAD Audit Manual. IAD management and staff collectively possess the knowledge, skills, and other competencies necessary to demonstrate professional proficiency. Work is performed with due professional care that includes an appropriate level of supervisory review and approval. IAD is embracing and is working to enhance the use of Computer-Assisted Audit Techniques ("CAATs") to support risk assessment, planning, and continuous monitoring activities. Training and professional development processes support proficiency of IAD management and staff. The CAE has established some procedures to monitor IAD performance and is committed to establishing a complete QAIP, as recommended by this EQA, that will provide a strong basis to achieve continuous improvement and alignment with the *Standards* and the IIA Code of Ethics.

Performance Standards

The IAD is well managed, with effective processes and procedures that support consistency, quality, and sustainability. The annual audit plan is supported by a risk assessment process that incorporates input from IAD stakeholders, including the Audit Committee and Board of Directors, and is linked to organization strategies, objectives, and risks. The CAE should take steps to strengthen the approach to calculating and communicating IAD annual resource requirements to the Audit Committee; increase IAD ability to make recommendations to improve governance processes; and strengthen planning procedures in establishing the objectives of audit engagements. Periodic reports to senior management and the Audit Committee are of a high quality and appropriately communicate Internal Audit activities. Engagement level planning is supported by engagement level risk assessment to focus audit activities. Objectives evaluate technology, operational, financial, and compliance components as appropriate for individual engagements. Individual audits are of a consistent high quality and work papers fully support reported findings. Audit reports are consistent with the underlying work product and focus the reader on those areas of highest relevance. The CAE needs to develop a follow-up process to track audit issues through to resolution.

Executive Summary
Standards and the IIA Code of Ethics Conformance Summary

	GC	PC	DNC
OVERALL	X		

		GC	PC	DNC
ATTRIBUTE STANDARDS		X		
1000	**Purpose, Authority, and Responsibility**	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X		
1100	**Independence and Objectivity**	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1112	Chief Audit Executive Roles Beyond Internal Auditing	NA		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	NA		
1200	**Proficiency and Due Professional Care**	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	**Quality Assurance and Improvement Program**		X	
1310	Requirements of the Quality Assurance and Improvement Program		X	
1311	Internal Assessments		X	
1312	External Assessments		X	
1320	Reporting on the Quality Assurance and Improvement Program		X	
1321	Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"	X		
1322	Disclosure of Nonconformance	NA		

		GC	PC	DNC
PERFORMANCE STANDARDS		X		
2000	**Managing the Internal Audit Activity**	X		
2010	Planning	X		
2020	Communication and Approval		X	
2030	Resource Management	X		
2040	Policies and Procedures		X	
2050	Coordination and Reliance	X		

		GC	PC	DNC
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	NA		
2100	**Nature of Work**	X		
2110	Governance		X	
2120	Risk Management	X		
2130	Control	X		
2200	**Engagement Planning**		X	
2201	Planning Considerations		X	
2210	Engagement Objectives		X	
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Programs	X		
2300	**Performing the Engagement**	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	**Communicating Results**	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	NA		
2430	Use of "Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*"	X		
2431	Engagement Disclosure of Nonconformance	NA		
2440	Disseminating Results	X		
2450	Overall Opinions	X		
2500	**Monitoring Progress**			X
2600	**Communicating the Acceptance of Risks**	X		
IIA CODE OF ETHICS		X		

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Executive Summary
Key Observations

The independent assessment team identified seven areas where Internal Audit is operating in a successful internal audit practice manner, six gaps to conformance with the *Standards*, and four opportunities for continuous improvement to enhance efficiency and effectiveness of the IAD process and organization governance. Detailed observations, recommendations, and Internal Audit responses to the gaps to conformance with the *Standards* and opportunities for continuous improvement are included in the following section of this report.

Successful Internal Audit Practices Noted
Executive management has a high level of confidence in the CAE
IAD staff members have excellent internal audit experience and are viewed by management as being highly competent and professional
IAD staff members are professionally well credentialed
The IAD is implementing and using data analytic software
IAD Staff adhered to the Core Principles of Internal Auditing by completing several audits and managing IA in the face of many staffing challenges
IAD Staff fostered very effective working relationships with key OCERS business stakeholders
The IAD has improved its overall rating to "Generally Conforms" for this QAR as compared to "Partially Conforms" in the prior review of 2010

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Executive Summary
Key Observations

Gaps to Conformance with the *Standards* Noted	
Standards 1300, 1310, 1311, 1312 and 1320	***Quality Assurance and Improvement Program (QAIP)*** – Strengthen the QAIP by conducting timely periodic self-assessments and independent external assessments, expanding the use of performance metrics, and including results of the QAIP and improvement plans in status reports to senior management and the Audit Committee.
Standard 2020	***Communication and Approval*** – Strengthen the communication of resource requirements in the annual plan, and implementing "Frequency Guides" that should be established by the Audit Committee, with the concurrence of senior management and the assistance of the CAE.
Standard 2040	***Policies and Procedures*** – Review and update the IAD Policies and Procedures Manual periodically.
Standard 2110	***Governance*** – Increase activity to assess and make recommendations to improve governance processes by including them as auditable entities in the audit universe and identify them as mandatory reviews for inclusion in the Internal Audit annual plan on a rotational basis. These reviews should include OCERS ethics program and IT governance.
Standards 2200, 2201 and 2210	***Engagement Planning*** – Implement policies and procedures that ensure audit engagement plans are more fully developed and documented.
Standard 2500	***Monitoring Progress*** – Establish and maintain a system to monitor the disposition of engagement recommendations communicated to management.

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Executive Summary
Key Observations

Opportunities for Continuous Improvement Noted	
Implementation Guide 1110 (Audit Committee)	**Audit Committee Charter** – Revise the Audit Committee Charter to formally recognize its responsibility to formally approve the IAD annual budget and resource plan.
Implementation Guide 1111 (Audit Committee)	**Audit Committee Executive Sessions** – Implement a practice of meeting in a private session with the CAE, at least annually, as part of the Audit Committee's meeting agenda.
Successful Practice (Retirement Board, Audit Committee, senior management, CAE)	**Understanding the Role of the IAD** – Consider exploring ways for OCERS to better understand the basic core principles, objectives, and the definition of internal auditing and the relative expectations that should result.
Implementation Guide 2010 (CAE)	**Annual Planning** – Increase IT audit coverage, including general controls, asset management, security and confidentiality, disaster recovery, change and configuration management, data center operations, access management and user/vendor support.

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Detailed Observations

Gaps to Conformance with the *Standards* Noted

Gaps to Conformance with the *Standards*	OCERS Response
Standards 1300, 1310, 1311, 1312 and 1320 Quality Assurance and Improvement Program (QAIP) – Strengthen the management of IAD performance by developing and maintaining a formal QAIP. While the CAE has introduced some elements of ongoing monitoring in the form of engagement supervision and the use of engagement resource metrics, a complete QAIP needs to be implemented. It must include procedures for conducting timely periodic assessments, expanding ongoing monitoring, and communicating results. The QAIP must be designed to enable an evaluation of the IAD's conformance with the "Mandatory Guidance" of the IIA, to assess the efficiency and effectiveness of the IAD, and identify opportunities for improvement. It should achieve the following: • Increasing ongoing monitoring by using tools such as post audit management surveys, benchmarking to similar internal audit entities, and expanding the number and type of performance metrics; • Implement policy and procedures to conduct periodic internal assessments, at least annually, of IAD's conformance to the IIA "Definition of Internal Auditing", "Core Principles of the Profession", *Standards,* and the "Code of Ethics"; • Implement policy and procedures to have an independent external assessments conducted at least once within every five-year period, and should be planned in close consultation with the Audit Committee; • Implement policy and procedures to report the results of QAIP activities. The results of internal and external assessments should be reported to the Audit Committee and senior management when completed. The results of ongoing monitoring and related action plans for IAD improvement should be reported to the Audit Committee and senior management at least annually. • Action plans for improvement, that result from all QAIP activities, should be entered into a yet to be developed tracking system (per a following recommendation in this report) with all other management action plans.	***Chief Audit Executive*** *We agree with the observation and recommendation that a Quality Assurance and Improvement Program needs to be implemented within the Internal Audit department. The implementation of a QAIP has been budgeted within the 2019 Audit Program.*

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Gaps to Conformance with the *Standards* Noted

Gaps to Conformance with the *Standards*	OCERS Response
Standard 2020 Communication and Approval – Strengthen the communication of resource requirements in the annual plan, by implementing "Frequency Guides" that should be approved by the Audit Committee, with the assistance of the CAE, and the concurrence of senior management. While the current IAD annual planning process and format of the annual plan appropriately meet the requirements of Standard 2010 (Planning), the determination of planned engagements and activities for inclusion in the plan, and the determination of resulting resource requirements, need to be strengthened. The Audit Committee, senior management, and the CAE should strengthen the process to determine and communicate IAD plans and resource requirements by: • Establishing "Frequency Guides" relative to organizational risk perspectives with input from management; and the approval of the Audit Committee; • Approving the "Frequency Guides" by the Audit Committee with the concurrence of senior management; • Conducting the annual risk assessment and preparing multi-year audit plans based on the "Frequency Guides". The number of years presented in the multi-year plan should correspond to the "Frequency Guides".	***Audit Committee, Senior Management, and Chief Audit Executive*** *We agree with the observation and recommendations. The CAE will establish and present the proposed audit universe frequency, with input from senior management, to the Audit Committee beginning with the 2020 audit planning period.*
Standard 2040 Policies and Procedures – Review and update the IAD Policies and Procedures Manual periodically. The IAD Policies and Procedures Manual has not been updated since it was originally produced. As a result, it does not provide IAD staff with a comprehensive source for current policies and procedures. Ensure the IAD Manual is kept up to date by reviewing it periodically for needed changes. Updating the Manual is especially important at this time since the CAE is relatively new in the position; this will give the CAE the opportunity to establish policies and procedures according to his management approach.	***Chief Audit Executive*** *We agree with the observation and recommendation. The CAE will update the Internal Audit manual by Q3 2019 and perform a periodic review to make any necessary updates.*

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Gaps to Conformance with the *Standards* Noted

Gaps to Conformance with the *Standards*	OCERS Response
Standard 2110 Governance – Increase activity to assess and make recommendations to improve governance processes by including them as auditable entities in the audit universe and identify them as mandatory reviews for inclusion in the Internal Audit annual plan on a rotational basis. These reviews should include OCERS ethics program and IT governance. While current IAD audit engagements do make recommendations related to OCERS governance processes, this approach does not provide a comprehensive approach to properly assessing the OCERS governance structure, including IT governance and OCERS's ethics-related objectives, programs, and activities. Establish a procedure that identifies OCERS governance processes, including IT and ethics related processes, as elements to be included in the audit universe. Implement a policy that requires mandatory periodic audit coverage of the governance processes. Each of these processes should be evaluated at least once during the audit cycle which is identified through the "Frequency Guides" established through the approval of the Audit Committee.	***Chief Audit Executive*** *We agree with the observation and recommendations. Internal Audit has budgeted an IT Audit program in the 2019 Audit plan as well as performance audits of internal OCERS operations (to be approved by the Audit Committee). Internal Audit oversees the OCERS Ethics, Compliance and Fraud Hotline.*
Standards 2200, 2201and 2210 Engagement Planning – Implement policies and procedures that ensure audit engagement plans are more fully developed and documented. Implement procedures that ensure audit engagement plans are developed and documented that more fully consider the strategies, objectives and risks of the organization under review, and require those conducting the engagement to establish objectives by making a preliminary assessment of relevant risks and considering the probability of significant errors, fraud, noncompliance, and other exposures.	***Chief Audit Executive*** *We partially agree with the observation and recommendation. Internal Audit had performed the appropriate considerations during the planning phase, however, as noted in the observation, Internal Audit did not fully document those considerations. The implementation of the new SharePoint Internal Audit tool will include a section for documenting planning considerations (i.e., preliminary risk assessment).*

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Gaps to Conformance with the *Standards* Noted

Gaps to Conformance with the *Standards*	OCERS Response
Standard 2500 Monitoring Progress – Establish and maintain a system to monitor the disposition of engagement recommendations communicated to management. Currently, there is no system in place to monitor the disposition of recommendations communicated to management. As a result, the disposition of prior years' recommendations is unknown. Establish and maintain a system to monitor the disposition of results communicated to management. The system must establish a follow-up process to monitor and ensure that management actions have been effectively implemented, or that senior management has properly accepted the risk of not taking action. The Audit Committee should establish a process to ensure management is held responsible for not implementing action plans on a timely basis, or that the acceptance of risk is appropriate. Further, undertake a project to establish a reasonable plan to identify the significant management actions related to prior audits which have not yet been implemented and include IAD QAIP actions plans in the monitoring system.	***Audit Committee and Chief Audit Executive*** *We agree with the observation and recommendation. Internal Audit has a manual tracking report (Excel) that will be migrated to the new SharePoint Internal Audit tool. Internal Audit has budgeted Management Action Plan (MAP) follow-ups in the 2019 Audit plan.*

Opportunities for Continuous Improvement Noted

Opportunities for Continuous Improvement Noted	OCERS Response
Implementation Guide 1110 Audit Committee Charter – Revise the Audit Committee Charter to formally recognize its responsibility to formally approve the IAD annual budget and resource plan. As members of the Retirement Board of Directors, all members of the Audit Committee approve the IAD annual budget and resource plan. Accordingly, it would be appropriate to document the performance of this duty within the Audit Committee Charter.	***Audit Committee*** *As noted, the budget is approved as part of the OCERS annual budgeting process. The CAE will work with the Audit Committee to update the Audit Committee Charter as necessary.*
Implementation Guide 1111 Audit Committee Executive Sessions – Implement a practice of meeting in a private session with the CAE, at least annually, as part of the Audit Committee's meeting agenda. The CAE has a responsibility to attest to the independence, sufficiency of resources, and the disclosure of sensitive information (if necessary) to the Audit Committee. A common practice to provide an appropriate opportunity for the CAE to fulfill this responsibility is to hold an executive session at formal Audit Committee meetings at least once per year, with only the CAE present.	***Audit Committee*** *The CAE will discuss the items noted during the annual performance review of the CAE in closed session.*
Successful Practice Understanding the Role of the IAD – Consider exploring ways for OCERS to better understand the basic core principles, objectives, and definition of internal auditing and develop reasonable expectations for the IAD. Based on indications from the interviews conducted during the assessment, OCERS could benefit from having a better understanding of the nature of internal auditing, and what is reasonable to expect. The Audit Committee, senior management, and the CAE could meet to discuss and explore this issue. If it is found to be appropriate, the Board/Audit Committee/senior management could consider obtaining in-house professional training on the role, core principles, objectives, and the definition of internal auditing. Also, the Audit Committee could consider retaining the services of an internal audit consultant to serve as their staff advisor, to assist in functional oversight of the IAD. Finally, consider initiatives to help OCERS better understand the role of the IAD such as: • Developing an IAD web page on the OCERS intranet • Producing an informational brochure • Holding informal lunch informational presentations with various management groups • Attending operating management staff meetings	***Retirement Board/Audit Committee, Senior Management, and the Chief Audit Executive*** *The CAE will provide training/updates to the Audit Committee and OCERS management on the responsibilities of the IAD incorporating the noted recommendations. The IAD website is available on the internal OCERS site, but will be updated to provide additional background and information on the IAD.*

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Opportunities for Continuous Improvement Noted

Opportunities for Continuous Improvement Noted	OCERS Response
Implementation Guide 2010 Annual Planning – Increase IT audit coverage, including general controls, asset management, security and confidentiality, disaster recovery, change and configuration management, data center operations, access management and user/vendor support.	*Chief Audit Executive* *As noted, in the 2110 Standards response, the IT Audit program has been budgeted for the 2019 Audit plan.*

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Attachment

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Attachment A
Conformance Rating Criteria

GC – "Generally Conforms" means the assessor has concluded the following:
- For individual standards, the internal audit activity conforms to the requirements of the standard (e.g., 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 (e.g., 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.

PC – "Partially Conforms" means the assessor has concluded the following:
- For individual standards, the internal audit activity is making good faith efforts to conform to the requirements of the standard (e.g., 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 (e.g., 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 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.

DNC – "Does Not Conform" means the assessor has 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 (e.g., 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 (e.g., 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.

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31/78

I-1

Memorandum

DATE: March 26, 2019

TO: Members of the Audit Committee

FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations

SUBJECT: **2018 FINANCIAL STATEMENT AUDIT – ENTRANCE CONFERENCE**

Presentation

Background/Discussion

Attached is the 2018 Audit Services Plan prepared by Linda Hurley, Partner at MGO. This plan includes an overview of the MGO engagement service team for the financial statement audit; scope of services; overall summary of audit responsibilities; timeline for deliverables; and highlights of MGO's audit approach.

<u>Attachment</u>

Submitted by:

Brenda Shott

Assistant CEO, Finance and Internal Operations

Orange County Employees Retirement System

Fiscal Year 2018 Audit Service Plan

Presented By

Linda C. Hurley, CPA
Engagement Partner

Amy Chiang, CPA, CFE
Engagement Director

SECTION I

Engagement Team

SECTION II

Scope of Services and Deliverables

SECTION III

Independent Auditor Responsibilities

SECTION IV

Audit Timeline

SECTION V

Audit Approach

SECTION VI

Recent Developments in Accounting and Financial Reporting

EngagementTeam

Engagement Team

ORANGE COUNTY EMPLOYEES RETIREMENT SSTEM

Richard Green
PENSION CONSULTING PARTNER

Linda Hurley
ENGAGEMENT PARTNER

Steve Diess
ACTUARIAL CONSULTANT

Amy Chiang
ENGAGEMENT DIRECTOR

Caroline Walsh
PROFESSIONAL STANDARDS REVIEWER

Stefannie Kodrat
ENGAGEMENT MANAGER

Jay Stuck
ENGAGEMENT SENIOR

MGO PROFESSIONAL ASSOCIATES
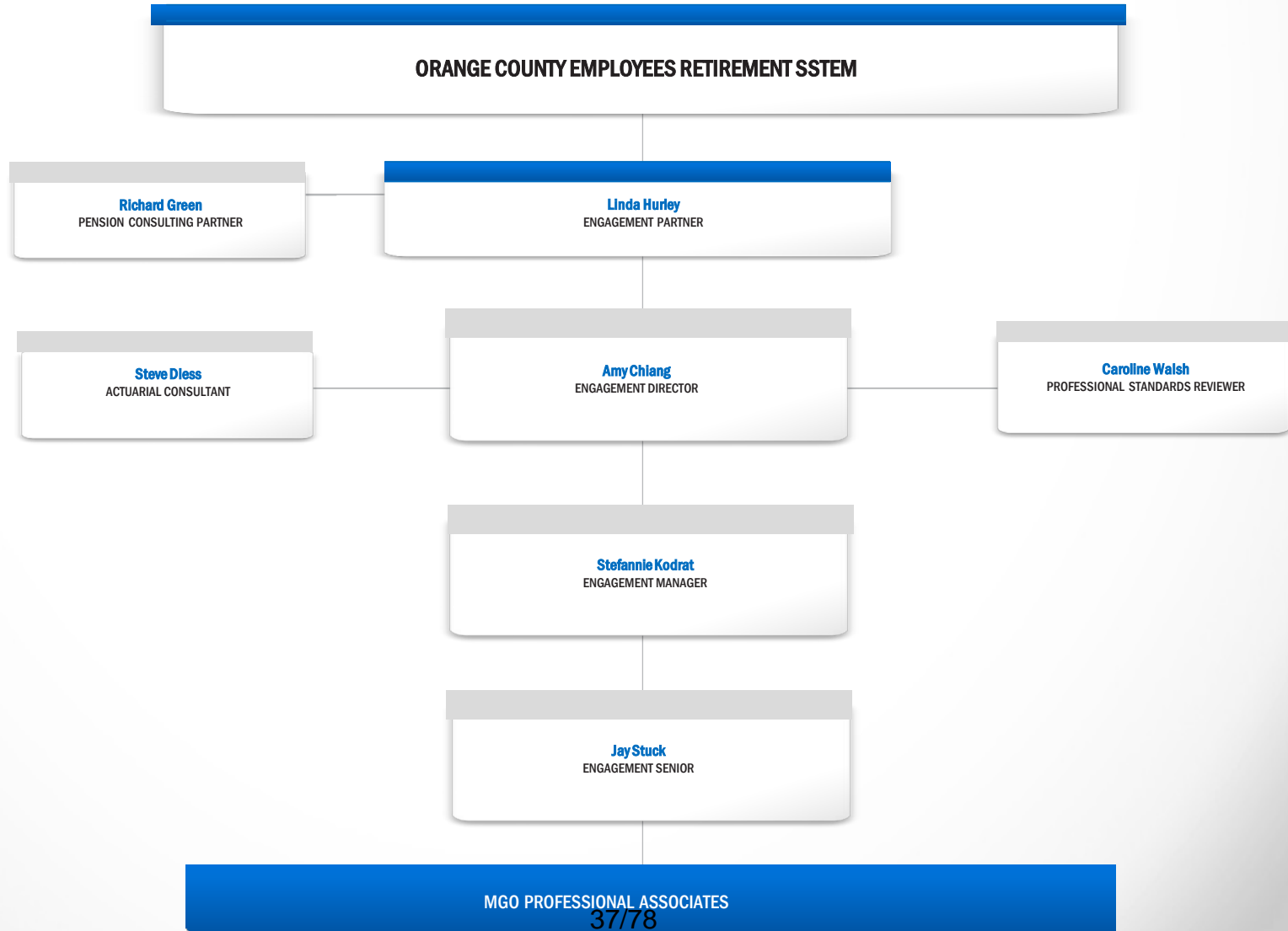
Scope of Services and Deliverables

Scope of Services and Deliverables

Scope of Services

- Audit of Basic Financial Statements

- Group Audit – serving as the component auditor for OPEB for County of Orange and OCFA

Deliverables

- Independent Auditor's Report

- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters (required under *Government Auditing Standards*)

- Reports to the Audit Committee (Required Communications at Planning and the Conclusion of the Audit)

- Management Comments and Recommendations Letter

3

Independent Auditor Responsibilities

Independent Auditor Responsibilities

- To express an opinion as to the fair presentation of the System's financial statements, in all material respects, in conformity with accounting principles generally accepted in the United States of America

- To apply certain limited procedures to required supplementary information
    - Management's Discussion and Analysis
    - Schedule of Changes in Net Pension Liability of Participating Employers
    - Schedule of Investment Returns
    - Schedule of Employer Contributions
    - Notes to the Required Supplementary Information

Independent Auditor Responsibilities

- To report on the fairness of other supplementary information when considered in relation to the basic financial statements as a whole

  o   Schedule of Contributions

  o   Schedule of Administrative Expense

  o   Schedule of Investment Expenses

  o   Schedule of Payments to Consultants

  o   Statement of Changes in Assets and Liabilities – OPEB Agency Fund

5

FISCAL YEAR 2018 AUDIT SERVICE PLAN

Audit Timeline

MGO Certified Public Accountants

Description	February	March	April	May	June
Planning					
Information Gathering		■			
Interim and Year-end Prepared-By-Client Schedules		■			
Entrance Conference		■			
Executive and Board Member Inquiries			■		
Presentation of Audit Plan to the Audit Committee	■				
Execution					
Interim & Year-End Fieldwork					
Document Internal Controls and Processes			■		
Information Technology General Control Review (ITGC)			■		
Peform Risk Assessment			■		
Perform Test of Controls over Significant Transaction Streams			■		
Test of Member Census Data			■		
Investment Confirmations		■			
Audit of Year-End Balances			■	■	
Completion					
Report Issuance					
Independent Auditor's Report - Basic Financial Statements					■
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters					■
Report to the Audit Committee (Required Communications with Those Charged with Governance)					■
Management Comment Letter					■
Audit Committee Presentation					■

Audit Approach

Audit Approach

Planning

- Document understanding of internal and external factors affecting the System
- Update understanding of the System's internal control environment, accounting systems and control procedures
- Perform risk assessment to determine the nature, timing and extent of audit procedures
- Complete audit plan, including audit procedures to address identified risks

Execution

- Performance of audit procedures and evaluation of results
- Review of financial statements and subsequent events
- Obtain management representations
- Development of organizational insights

Reporting

- Issue opinions on the System's financial statements under U.S. generally accepted auditing standards and *Government Auditing Standards*
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters
- Required communications at the conclusion of the audit
- Management comments and recommendations

Audit Approach

Significant Audit Areas

- Investments and Related Income

- Contributions

- Benefit Payments

- Actuarial Valuations

  o   Compliance with Accounting Standards and Actuarial Standards of Practice

  o   Reasonableness of Assumptions and Methods

  o   Analysis of Changes in Discount Rates

  o   Completeness and Accuracy of Member Census Data

Response to Significant Audit Areas

- Review of general partner audited financial statements and use of investment valuation specialists, as appropriate

- Review of service organization control reports (SSAE 18 reports) to determine reliance on controls at these organizations and extent of testing of complimentary controls in place at OCERS

- Use of data extraction software

  - Benefit payments

  - Contributions

  - Member census data

- Review of actuarial valuations by MGO's defined benefit plan actuarial specialist

Recent Developments in Accounting and Financial Reporting

mGO
TYPE ATYPICAL

A new breed
of professional
services firm

Recent Developments in
Accounting and Financial Reporting

GASB Statement No. 84: *Fiduciary Activities*. **The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. (FY 2019)**

- o   Custodial Fund (new fund type)

- o   Include a statement of changes in fiduciary net position as a basic financial statement

GASB Statement No. 85: *Omnibus 2017*. **The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. (FY 2018)**

- o   Clarified that certain money market investments and participating interest-earning investment contracts <u>may</u> be, but are not required to be, measured at amortized cost

- o   Classification of employer-paid member contributions for OPEB

Recent Developments in Accounting and Financial Reporting

GASB Statement No. 87: *Leases*. **The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. (FY 2020)**

- o Establish a single model for lease accounting

- o Required a lessee to recognize a lease liability and an intangible right-to-use lease asset

- o Required a lessor to recognize a lease receivable and a deferred inflow of resources

Questions?
Let's Talk.

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Public
Accountants

I-2

Memorandum

DATE: March 26, 2019

TO: Members of the Audit Committee

FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations and David Kim, Director of Internal Audit

SUBJECT: OPERATIONAL RISK MANAGEMENT PROGRAM UPDATE

Presentation

Background/Discussion

Attached is an update to the progress of the Operational Risk Management Program. The update includes the main components of the Operational Risk Management approach including how Internal Audit works with the Operational Risk Committee.

Attachment
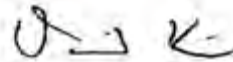
Submitted by:

Brenda Shott
Assistant CEO, Finance and Internal Operations

Submitted by:

David Kim
Director of Internal Audit

Operational Risk Management Program Update

March 26, 2019

➢ Governance

➢ Risk and Control

➢ Management Internal Control Responsibilities

➢ COSO Model for Internal Controls

➢ COSO Model Major Components

➢ Internal Audit Responsibilities

➢ Internal Audit Risk Assessment

➢ Risk Lines of Defense

➢ Operational Risk Management

➢ IT Sample Risk

➢ Appendix

2

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

Governance

➢ The systems and processes an organization has in place to protect the interests of its diverse stakeholder groups, i.e. members, employees, plan sponsors, tax payers, etc

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

RISK

➢ Factors that could prevent or hinder the achievement of organizational goals and objectives.

  ❖ Examples: Incorrect payroll data, incorrect benefit payments

CONTROL

➢ Any action taken by management to increase the likelihood that established goals and objectives will be achieved.

  ❖ Examples: Reconciliations, supervisory review

4

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

➢ Establish adequate business processes & controls

➢ Continually monitor effectiveness and improve processes & controls

> Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved

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COSO Model for Internal Control

➤ <u>C</u>ommittee <u>o</u>f <u>S</u>ponsoring <u>O</u>rganizations developed a framework for evaluating internal controls

➤ Established in 1992, revised in 2013

➤ Developed by leading accounting and auditing organizations (AICPA and IIA)

➤ Widely recognized model for analyzing & understanding internal controls

❖ Most publicly traded companies adopted COSO

❖ Federal, Local and State control standards are based on COSO

❖ The County of Orange uses COSO

1. Control Environment

2. Risk Assessment

3. Control Activities

4. Information and Communication

5. Monitoring

7

➢ Review controls for processes, activities, & systems implemented by management

➢ Evaluate & report on performance of management's controls

Internal Audit Risk Assessment

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

Division	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
Information Technology	Network Security	5	5	4	5	5	5	4.8

Risk Assessment Metthodology:

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.

9

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Operational Risk Management

➢ Presented to the Board of Retirement December, 2017

➢ Committee formed:

  ➢ Steve Delaney, Brenda Shott, Suzanne Jenike, Matt Eakin, Jon Gossard, Gina Ratto, David Kim, Jim Doezie

➢ Quarterly Committee meetings

➢ Monthly risk review meetings

65/78

Operational Risk Management

- ➢ I.T. created an Operational Risk Tracking tool that was implemented August, 2018

- ➢ Each department records their significant risks that are reviewed by the Committee

- ➢ 51 operational risks have been identified and cataloged
  - ➢ A total of 33 of these risks have been reviewed

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Operational Risk Management

➢Recorded Risks are scored based on:

    ➢Impact (scale 1 to 5), and

    ➢Likelihood (scale 1 to 5)

    ➢The result is a risk scale of 1 to 25

➢Example of an I.T. Risk is as follows

IT Sample Risk

Actions	
Title	Incorrect Tax Rates in V3
Risk Owner	Sadoski, Jenny
Risk Category	Compliance / Regulatory; Operational / Processes; Financial; Reputational
Department	0070 - INFORMATION TECHNOLOGY
Business Process	1550 - V3 Administration
Last Committee Review	12/3/2018
Last Board Review	
Initial Likelihood	3 - Possible
Initial Impact	4 - Major
Current Likelihood	2 - Unlikely
Current Impact	4 - Major
Target Likelihood	1 - Improbable
Target Impact	4 - Major
Risk Treatment Category	3 - Reduce Risk through Internal Controls; 4 - Accept the Risk and Prepare for Impact
Description	Incorrectly configured tax withholding rates create a financial error to the member's IRS or State of California tax withholdings, and could result in the overpayment/underpayment.
Impact Statement	Incorrectly configured tax withholding rates create a financial error to the member's IRS or State of California tax withholdings, and could result in the overpayment/underpayment.
Current Mitigating Factors	Rates are determined and entered into V3 by IT Operations, and reviewed by Finance. Reviewed rates with Finance prior to data entry and implement a final review and approval of the test calculations.
Initial Risk Score	12
Current Risk Score	8
RiskID	0000
Target Risk Score	4
Future Mitigation Plans	
Notes	IRS does not provide data versions of the rate tables. Input must be manual.

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ORM Report – All Departments

9.53
Initial Risk Score

Likelihood

	1	2	3	4	5
5	0	1	1	0	0
4	0	3	8	3	0
3	0	4	19	4	0
2	0	2	4	1	1
1	0	0	0	0	0

Impact

7.47
Current Risk Score

Likelihood

	1	2	3	4	5
5	1	0	0	0	0
4	0	5	7	1	0
3	4	8	10	2	0
2	0	6	3	2	0
1	0	2	0	0	0

Impact

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Questions?

Appendix

➢ Sets the tone for an organization

➢ Integrity and ethical values

➢ Employee competencies

➢ Management's philosophy & operating style

➢ How management:

❖ Assigns authority and responsibility

❖ Organizes and develops employees

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➢Identify and analyze the impact of relevant risks to getting your job done and achieving objectives

➢Form a basis for determining how risks should be managed:

  ❖Setting team objectives
  ❖Planning and risk assessment

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➢Policies and procedures that help ensure management directives are carried out

➢Occurs throughout the organization at all levels and in all functions

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➢Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities.

➢Employees must receive a clear message from top management that control responsibilities must be taken seriously.

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➢Process that assesses the quality of system performance over time

➢Occurs in the normal course of operations

➢Includes regular management and supervisory activities

➢Deficiencies should be reported to management

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I-3

Memorandum

DATE: March 26, 2019

TO: Members of the Audit Committee

FROM: David Kim, Director of Internal Audit

SUBJECT: **STATUS OF 2019 INTERNAL AUDIT PLAN**

Written Report

Background/Discussion

Following is a brief description of status of in-progress projects for the 2019 audit plan.

- **Employer and Employee Contributions Accounting:** Audit fieldwork is currently on-going and Internal Audit expects to issue a report at the next Audit Committee meeting. The objective of the audit is to review Finance Division controls that ensure the recording of contribution payments to the GL are complete, accurate and timely.

- **Request for Proposal (RFP) Co-Sourced IT Auditor Selection:** Both Internal Audit and the IT Division interviewed three finalists on March 20th and March 21st, and the winning consulting firm has been notified. Contract negotiations are underway. The consultant will develop the Information Technology Risk Assessment and long term IT Audit Program plus test OCERS' IT General Controls.

- **Management's Risk and Control Matrices:** Internal Audit is working with management to update management's inventory of key business objectives, associated risks, and management's controls to mitigate these risks.

Submitted by:

_____

David Kim
Director of Internal Auditor