

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

**AUDIT COMMITTEE MEETING  
March 30, 2022  
9:30 a.m.**

**MINUTES**

**OPEN SESSION**

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

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present via Zoom Video conference pursuant to Government Code § 54953, as amended by AB 361:

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

Also Present via Zoom: David Kim, Director of Internal Audit; Steve Delaney, Chief Executive Officer; Gina Ratto, General Counsel; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Molly A. Murphy, CFA, Chief Investment Officer; Jeff Lamberson, Director of Member Services; Jenny Sadoski, Director of Information Technology; Mark Adviento, Internal Auditor; Brittany Cleberg, Investment Staff Specialist; Marielle Horst, Recording Secretary; Anthony Beltran, Audio Visual Technician

Guests via Zoom: Kory Hoggan and Aaron Hamilton, Moss Adams

**PUBLIC COMMENT**

None.

**CONSENT AGENDA**

**MOTION** by Oates, **seconded** by Packard, to approve the following Consent Agenda items, excluding C-2 which was pulled by Ms. Freidenrich:

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

Audit Committee Meeting Minutes

January 27, 2022

**C-2 REQUEST FOR PROPOSAL – ACTUARIAL AUDITOR**

**Recommendation:** Staff requests the Audit Committee approve the distribution of a Request for Proposal to initiate a search for the actuarial auditor.

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The motion passed unanimously.

### **ACTION AGENDA**

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

##### **C-2 REQUEST FOR PROPOSAL – ACTUARIAL AUDITOR**

**Recommendation:** Staff requests the Audit Committee approve the distribution of a Request for Proposal to initiate a search for the actuarial auditor.

Ms. Freidenrich pulled item C-2.

Discussion: Madam Treasurer Friedenrich asked questions and brought up many suggestions for possible inclusion or modifications of similar future contracts. The contract before the Board remained unchanged.

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

The motion passed unanimously.

#### **A-2 2020 FEE REPORT AUDIT**

*Presentation by Mark Adviento, Internal Auditor*

**Recommendation:** Receive and file

After discussion by the Committee, **MOTION** by Freidenrich, **seconded** by Packard to adopt staff's recommendation.

The motion passed unanimously.

#### **A-3 THE COUNTY OF ORANGE SOCIAL SERVICES AGENCY EMPLOYER AUDIT**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Receive and file

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

The motion passed unanimously.

#### **A-4 CONTINUOUS AUDIT OF FINAL AVERAGE SALARY CALCULATIONS (Q1 2022)**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Receive and file

Mr. Kim presented the Internal Audit's findings on the Final Average Salary Calculations, noting two exceptions of the 50 samples taken from Q1 2022 (4% error rate). Mr. Lamberson presented how

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the errors were of a unique nature this quarter. One was due to the way salary was formatted in excel by CalPERS. Mr. Packard noted that data received from other entities should always be verified and validated and directed Internal Audit to confirm performance of these controls by OCERS during audits. Ms. Jenike responded that all data is verified regardless of the source and that this particular error was an extremely unique nuance in excel that was introduced by CalPERS for the first time. Ms. Jenike confirmed that her team has followed up with CalPERS so they are aware of their error and OCERS has checked all prior spreadsheets to ensure that there has not been a similar error in any other member calculation. Chair Eley noted that both errors were unusual, and the updated process OCERS team is following has prevented the errors we have seen previously.

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

The motion passed **unanimously**.

After the motion was received and filed, the Committee returned to continue discussion of residual risk. Mr. Delaney discussed residual risk, putting forward \$10 as a threshold for consideration, below which would still be corrected, however, in the future, be reported on an annual basis. Audit Committee members stated their support of a more streamlined approach for reporting errors below a threshold yet to be finalized, but prefer that all errors continue to be reported to the Audit Committee on a quarterly basis. Mr. Delaney noted the intent of staff to make a presentation to the Audit Committee at the October Audit Committee meeting on residual risk for further discussion. The Continuous FAS reporting will continue in its current format for Q2 2022 and Q3 2022.

#### **A-5 ETHICS COMPLIANCE AND FRAUD HOTLINE UPDATE**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Receive and file

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

The motion passed **unanimously**.

### **INFORMATION ITEM**

#### **I-1 2021 FINANCIAL STATEMENT AUDIT – ENTRANCE CONFERENCE**

*Presentation by Kory Hoggan and Aaron Hamilton, Moss Adams*

Representatives of the Moss Adams team presented an outline of the Management and Auditor responsibilities, including a 2021 proposed timeline.

### **WRITTEN REPORTS**

#### **R-1 OPERATIONAL RISK MANAGEMENT ANNUAL REPORT**

*Written Report*

#### **R-2 MANAGEMENT ACTION PLAN VERIFICATION REPORT**

*Written Report*

#### **R-3 STATUS UPDATE OF 2022 AUDIT PLAN**

*Written Report*

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#### **COMMITTEE MEMBER COMMENTS**

Mr. Oates thanked the staff for doing a great job on the Alameda project.

Mr. Eley thanked the Audit team for their hard work in preparing the audit and Management for working with the Audit team.

#### **STAFF COMMENTS**

Ms. Jenike noted staff is making positive progress on the Alameda implementation project. Management has projected the benefit recalculations to start after the July 1, 2022 payroll. Ms. Jenike informed the Committee of the efforts staff has made to inform beneficiaries of the possibility of benefit recalculations. Letters will continue to be sent to beneficiaries notifying them of possible changes to their benefits at the end of this project.

#### **CHIEF EXECUTIVE OFFICER**

Mr. Delaney commented an unnamed CEO would like to discuss the Alameda project, as they are swamped too.

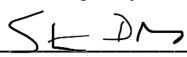
#### **COUNSEL COMMENTS**

None

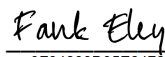
#### **ADJOURNMENT**

The Chair adjourned the meeting at 11:16 a.m.

Submitted by:

DocuSigned by:  
  
Steve Delaney  
Secretary to the Board

Approved by:

DocuSigned by:  
  
Frank Eley  
Chair