

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

**AUDIT COMMITTEE MEETING
Thursday, June 1, 2023
9:30 A.M.**

MINUTES

OPEN SESSION

Chair Oates called the meeting to order at 9:31 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present: Richard Oates, Chair; Charles Packard, Vice Chair (via Zoom); Adele Tagaloa, Board Member; Shari Freidenrich, Ex-Officio Member

Also Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO, External Operations; Brenda Shott, Assistant CEO, Internal Operations; Gina Ratto, General Counsel; David Kim, Director of Internal Audit; Jeff Lamberson, Director of Member Services; Matthew Eakin, Director of Information Security; Jon Gossard, Information Security Manager; Mark Adviento, Senior Internal Auditor; Jenny Davey, Internal Auditor; Esther Hong, Internal Auditor; Marielle Horst, Recording Secretary; Anthony Beltran, Audio Visual Technician

Guests: Kory Hoggan, Moss Adams; Matthew Bohdan, Troy Snyder, and Gabrielle Wafer, Plante Moran; Nick Olson and Susan Verghese, The Institute of Internal Auditors Quality Service

The Committee recessed for break at 9:38 a.m.

The Committee reconvened from break at 9:40 a.m.

2. BOARD MEMBER STATEMENT REGARDING PARTICIPATION VIA ZOOM

MOTION by Ms. Tagaloa, **seconded** by Mr. Oates to accept Mr. Packard's request to participate in the committee meeting via zoom under the Emergency Circumstances provision of the Brown Act.

The motion passed **unanimously**.

3. PUBLIC COMMENT

None

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CONSENT AGENDA

C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

April 5, 2023

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

The motion passed **unanimously**.

ACTION ITEMS

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

None

A-2 2022 FINANCIAL STATEMENT AUDIT

Introduction by Brenda Shott, Assistant CEO of Finance and Internal Operations, and Tracy Bowman, Director of Finance, OCERS

Presentation by Kory Hoggan, Moss Adams

Recommendations:

1. Approve OCERS' audited financial statements for the year ended December 31, 2022;
2. Direct staff to finalize OCERS' 2022 Annual Comprehensive Financial Report (Annual Report);
3. Approve the Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2022; and
4. Receive and file Moss Adams LLP's "OCERS' Report to the Audit Committee for the Year Ended December 31, 2022" and their "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards."

Mr. Packard left at 10:47 a.m.

After discussion, **MOTION** by Ms. Freidenrich, **seconded** by Ms. Tagaloo to adopt staff's recommendations with the recommended changes.

The motion passed **unanimously**.

A-3 GASB 68 VALUATION AND AUDIT REPORT

Presentation by Brenda Shott, Assistant CEO of Finance and Internal Operations

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Recommendations:

1. Approve OCERS' audited Schedule of Allocated Pension Amounts by Employer as of and for the Year Ended December 31, 2022; and
2. Approve the Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation as of December 31, 2022 for distribution to Employers.

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

The motion passed **unanimously**.

The Committee recessed for break at 10:52 a.m.

The Committee reconvened from break at 11:06 a.m.

Recording Secretary administered the Roll Call attendance.

A-4 EXTERNAL QUALITY ASSESSMENT FINALISTS INTERVIEWS

Introduction by David Kim, Director of Internal Audit

Presentations by Plante Moran; and The Institute of Internal Auditors Quality Services

Recommendation: Staff recommends (1) selecting one of the two finalists chosen to make an oral presentation at the June 1, 2023 Audit Committee meeting to perform an external quality assessment (EQA) of OCERS' Internal Audit based on the firm's presentation, responsiveness to the Audit Committee's questions, and the written proposal submitted; and (2) after conducting such interviews, that the Audit Committee select and approve the finalist to award the contract, subject to satisfactory negotiation of terms.

Presentation by Matthew Bohdan, Troy Snyder, and Gabrielle Wafer of Plante Moran.

Mr. Packard returned at 11:17 a.m.

The Committee recessed for break at 11:37 a.m.

The Committee reconvened from break at 11:45 a.m.

Recording Secretary administered the Roll Call attendance.

Mr. Packard provided a statement regarding his Zoom attendance.

Presentation by Nick Olson and Susan Verghese of The Institute of Internal Auditors Quality Service.

Mr. Packard left at 12:00 p.m.

Mr. Packard returned at 12:05 p.m.

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Mr. Packard left at 12:10 p.m.

The Committee recessed for break at 12:14 p.m.

The Committee reconvened from break at 12:19 p.m.

Recording Secretary administered the Roll Call attendance.

After discussion, **MOTION** by Ms. Freidenrich, **seconded** by Mr. Oates to select The Institute of Internal Auditors Quality Services to perform the External Quality Assessment and request they include at discount or no cost training for OCERS. In addition, if there is a change in Auditors, OCERS request the right to review the resumes.

The motion passed by majority, with Ms. Tagaloa voting in opposition.

A-5 CONTINUOUS AUDIT OF FINAL AVERAGE SALARY CALCULATIONS (Q1 2023)

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

Recommendation: Receive and file

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

The motion passed **unanimously.**

The Committee recessed for lunch at 12:51 p.m.

The Committee reconvened from lunch at 1:31 p.m.

Recording Secretary administered the Roll Call attendance.

CLOSED SESSION ITEMS

The Committee adjourned to closed session at 1:31 p.m.

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

Adjourn into Closed Session pursuant to Government Code section 54957 to consult with Steve Delaney, CEO, Brenda Shott, Asst. CEO; Suzanne Jenike, Asst. CEO; Gina M. Ratto, General Counsel; Noemi Zajzon, Information Technology Manager; David Kim, Director of Internal Audit; Mark Adviento, Senior Internal Audit; Jenny Davey, Internal Auditor.

Recommendation: Take appropriate action.

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E-2 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.

E-3 THREAT TO PUBLIC SERVICES OR FACILITIES (GOVERNMENT CODE SECTION 54957)

Adjourn into Closed Session pursuant to Government Code section 54957 to consult with *Steve Delaney, CEO, Brenda Shott, Asst. CEO; Matthew Eakin, Director of Information Security; Jenny Sadoski, Director of Information Technology; Jon Gossard, Information Security Manager; Suzanne Jenike, Asst. CEO; Gina M. Ratto, General Counsel; and David Kim, Director of Internal Audit.*

Recommendation: Take appropriate action.

Ms. Freidenrich left at 2:42 p.m.

The Committee reconvened to open session at 3:05 p.m.

REPORT OF ACTIONS TAKEN IN CLOSED SESSION *In the matter of E-1, Threat to Public Services or Facilities (Government Code Section 54957), the Committee voted unanimously to receive and file.*

WRITTEN REPORTS

R-1 MANAGEMENT ACTION PLAN VERIFICATION REPORT

Written Report

R-2 STATUS UPDATE OF 2023 AUDIT PLAN

Written Report

COMMITTEE MEMBER COMMENTS

None

STAFF COMMENTS

None

CHIEF EXECUTIVE OFFICER

None

COUNSEL COMMENTS

None

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ADJOURNMENT


Chair Oates adjourned the meeting at 3:05 p.m.

Submitted by:

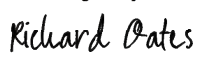
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David Kim
Committee Liaison

Submitted by:

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Steve Delaney
Secretary to the Board

Approved by:

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Richard Oates
Chair