

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

**AUDIT COMMITTEE MEETING  
MONDAY, OCTOBER 6, 2025  
9:30 A.M.**

**Members of the Committee**

Adele Lopez Tagalao, Chair  
Shari Freidenrich, Vice Chair  
Charles Packard, Member  
Iriss Barriga, Member

**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	
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**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**

Orange County Employees Retirement System  
October 6, 2025  
Audit Committee Meeting

Page 2

**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

June 9, 2025

**Recommendation:** Approve the 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 AUDIT REPORT - INVESTMENT DUE DILIGENCE AUDIT**

*Presentation by Philip Lam, Director of Internal Audit*

**Recommendation:** Receive and file.

#### **A-3 AUDIT REPORT - ORANGE COUNTY SANITATION DISTRICT EMPLOYER AUDIT**

*Presentation by Philip Lam, Director of Internal Audit*

**Recommendation:** Receive and file.

### **INFORMATION ITEM**

#### **I-1 MEMBER SERVICES QUALITY ASSURANCE REPORT JANUARY – SEPTEMBER 2025**

*Presentation by David Kim, Assistant CEO, External Operations; Jeff Lamberson, Director of Member Services; and Mark Adviento, Director of Member Services*

#### **I-2 INTERNAL AUDIT DEPARTMENT UPDATE**

*Presentation by Philip Lam, Director of Internal Audit*

Orange County Employees Retirement System  
October 6, 2025  
Audit Committee Meeting

Page 3

**CLOSED SESSION**

- E-1 THREAT TO CRITICAL INFRASTRUCTURE INFORMATION RELATING TO CYBERSECURITY**  
(Government Code Section § 54957)  
Consultation with OCERS Chief Information Security Officer

**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 GLOBAL INSTITUTE OF INTERNAL AUDITOR'S CONFERENCE REPORT**  
*Written Report*
- R-2 MANAGEMENT ACTION PLAN VERIFICATION REPORT**  
*Written Report*
- R-3 STATUS UPDATE OF 2025 AUDIT PLAN**  
*Written Report*

**COMMITTEE MEMBER COMMENTS**

**CHIEF EXECUTIVE OFFICER/COUNSEL/STAFF COMMENTS**

**ADJOURNMENT**

**NOTICE OF NEXT MEETINGS**

**DISABILITY COMMITTEE MEETING**  
**October 20, 2025**  
**8:30 A.M.**

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

**REGULAR BOARD MEETING**  
**October 20, 2025**  
**9:30 A.M.**

Orange County Employees Retirement System  
October 6, 2025  
Audit Committee Meeting

Page 4

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

*AVAILABILITY OF AGENDA MATERIALS - Documents and other materials that are non-exempt public records distributed to all or a majority of the members of the OCERS Board or Committee of the Board in connection with a matter subject to discussion or consideration at an open meeting of the Board or Committee of the Board are available at the OCERS' website: <https://www.ocers.org/board-committee-meetings>. If such materials are distributed to members of the Board or Committee of the Board less than 72 hours prior to the meeting, they will be made available on the OCERS' website at the same time as they are distributed to the Board or Committee members. Non-exempt materials distributed during an open meeting of the Board or Committee of the Board will be made available on the OCERS' website as soon as practicable and will be available promptly upon request.*

It is OCERS' intention to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or participant at this meeting, you will need any special assistance beyond that normally provided, OCERS will attempt to accommodate your needs in a reasonable manner. Please contact OCERS via email at [adminsupport@ocers.org](mailto: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  
MONDAY, JUNE 9, 2025  
9:30 A.M.**

**MINUTES**

**OPEN SESSION**

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

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present: Adele Lopez Tagaloe, Chair; Shari Freidenrich, Vice Chair; Iriss Barriga; Board Member; Charles Packard, Board Member

Also Present: Steve Delaney, Chief Executive Officer; David Kim, Assistant CEO of External Operations; Brenda Shott, Assistant CEO of Internal Operations; Manuel Serpa, General Counsel; Mark Adviento, Director of Member Services; David Beeson, Director of Investments; Tracy Bowman, Director of Finance; Matt Eakin, Director of Cyber Security; Philip Lam, Director of Internal Audit; Jeff Lamberson, Director of Member Services; Jennifer Reyes, Finance Manager; Jenny Davey, Internal Auditor; Esther Hong, Internal Auditor; Anthony Beltran, Audio Visual Technician; Marielle Horst, Recording Secretary.

Guests: Kory Hoggan and Aaron Hamilton, Moss Adams.

**PUBLIC COMMENT**

None.

**CONSENT AGENDA**

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

Audit Committee Meeting Minutes

March 25, 2025

**MOTION** by Mr. Packard, **seconded** by Ms. Barriga, to approve the Consent Items.

The motion passed **unanimously**.

Orange County Employees Retirement System  
June 9, 2025  
Audit Committee Meeting

**ACTION AND INFORMATIONAL ITEMS**

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

None.

**A-2 AUDIT REPORT - ALAMEDA PHASE 2 RECALCULATION AUDIT**

*Presentation by Philip Lam, Director of Internal Audit*

**Recommendation:** Receive and file.

Mr. Lam presented the Audit Report, noting a 100% accuracy rate with no Final Average Salary (FAS) errors identified. However, the audit did highlight two minor observations: first, the need for improved documentation on the Quality Control Checklist; and second, the presence of unprotected cells in the recalculation spreadsheets. Management has acknowledged both findings and committed to implementing the appropriate corrective actions.

Ms. Freidenrich requested clarification on whether the first observation resulted from a systematic issue or an internal administrative oversight. Mr. Lam and Mr. Lamberson provided an explanation regarding the nature and cause of the oversight.

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

The motion passed **unanimously**.

**I-1 INTERNAL AUDIT DEPARTMENT UPDATE**

*Presentation by Philip Lam, Director of Internal Audit*

Mr. Lam informed the committee that Mr. Adviento has accepted a new role as Director of Member Services. Mr. Lam noted that he is currently collaborating with Human Resources to identify and appoint a suitable replacement.

Mr. Packard inquired whether the recent staffing changes might impact the Audit Plan. He recommended identifying high-priority audits and preparing a contingency plan to maintain continuity and oversight. Ms. Lopez Tagaloa concurred with Mr. Packard's suggestion and requested that Mr. Lam present an updated Audit Plan at the next committee meeting.

**A-3 2024 FINANCIAL STATEMENT AUDIT**

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

*Presentation by Jennifer Reyes, Finance Manager, OCERS, and Kory Hoggan and Aaron Hamilton, Moss Adams*

**Recommendations:**

Orange County Employees Retirement System  
June 9, 2025  
Audit Committee Meeting

1. Approve OCERS' audited financial statements for the year ended December 31, 2024;
2. Direct staff to finalize OCERS' 2024 Annual Comprehensive Financial Report (Annual Report);
3. Approve the Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2024; and
4. Receive and file Moss Adams LLP's (Moss Adams) "OCERS' Report to the Audit Committee for the Year Ended December 31, 2024" 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*."

Ms. Shott expressed her appreciation to the team for their efforts in completing the Annual Comprehensive Financial Report (ACFR). She also extended her gratitude to Ms. Bowman for her service and announced her upcoming retirement at the end of the year. The committee joined in thanking Ms. Bowman for her contributions.

Ms. Reyes presented the ACFR, noting that this year's theme is "*On Track for the Future*." During the discussion, Mr. Delaney commented that the organization is in the early stages of a "soft flip." Mr. Beeson confirmed that Investments continues to meet outgoing payment obligations without drawing on capital.

Mr. Packard asked about the reason for the higher payout amount this year. In response, Ms. Shott explained that the increase is primarily due to new retirees with higher salary ranges, along with the annual Cost of Living Adjustment (COLA).

Ms. Reyes reminded the committee that the actuarial valuation figures reflected in the ACFR are from 2023, which aligns with the report's reporting period. Ms. Freidenrich asked whether it would be possible to advance the ACFR timeline to provide more current information to the public. While Ms. Shott agreed to explore the possibility, she expressed caution about incorporating an actuarial valuation that has not yet been approved by the Board.

Ms. Reyes continued her analysis of the report, noting that it has received multiple awards this year, including the Certificate of Achievement for Excellence in Financial Reporting awarded by GFOA, the Public Pension Coordinating Council's Public Pension Standards Award for Funding and Administration, and the Bronze 2025 American Advertising Federation Award.

Mr. Hoggan presented the External Audit Report, noting that there were no exceptions, findings, or recommendations. He attributed the successful outcome to a highly knowledgeable team, whose attention to detail and strong understanding of risk contributed significantly to the quality of the audit.

Mr. Hamilton informed the committee of the recent merger between Moss Adams and Baker Tilly. As of June 3, 2025, the firm will operate under the name Baker Tilly US.

Ms. Freidenrich thanked the staff for their hard work.

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

The motion passed **unanimously**.

Orange County Employees Retirement System  
June 9, 2025  
Audit Committee Meeting

*The Committee recessed for break at 10:40 a.m.*

*The Committee reconvened from break at 10:55 a.m.*

*The Recording Secretary administered Roll Call, noting all Committee Members were in attendance.*

**A-4 GASB 68 VALUATION AND AUDIT REPORT**

*Presentation by Tracy Bowman, Director of Finance, and Jennifer Reyes, Finance Manager*

**Recommendations:** Recommend to the Board of Retirement the following:

1. Approve OCERS' audited Schedule of Allocated Pension Amounts by Employer as of and for the Year Ended December 31, 2024; and
2. Approve the Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation as of December 31, 2024 for distribution to Employers.

Ms. Reyes presented the GASB 68 Valuation and Audit Report, for which Moss Adams issued an unmodified opinion.

A **MOTION** by Mr. Packard, **seconded** by Ms. Barriga, to approve staff's recommendation.

The motion passed **unanimously**.

**I-2 UPDATE ON THE OCERS COMPLIANCE PROGRAM**

*Presentation by Manuel Serpa, General Counsel*

Mr. Serpa informed the committee that Chief Compliance Officer, Mr. Addo, had officially resigned following a leave of absence. The Compliance Department will continue to operate without a CCO for the time being, as the department works to fill the newly defined Compliance Officer role, with a staff member from the Internal Audit Department. This move will take place after the Senior Internal Auditor vacancy has been filled. Mr. Serpa outlined the ongoing responsibilities that will be managed by the Compliance Officer, emphasizing that awareness activities will continue regardless of vacancies. Control Monitoring and Compliance Reporting remain long-term objectives.

The committee asked about the implications for the Compliance Program and the timeline for appointing a new CCO. In response, Mr. Delaney shared that the department's needs are currently being reassessed and that hiring for the position is anticipated to be at least a year away. The committee also expressed that Internal Audit should be fully staffed before any personnel are reassigned to Compliance.

**WRITTEN REPORTS**

**R-1 FORM 700 COMPLIANCE UPDATE**

*Written Report*



Orange County Employees Retirement System  
June 9, 2025  
Audit Committee Meeting

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

*Written Report*

**R-3 STATUS UPDATE OF 2025 AUDIT PLAN**

*Written Report*

**COMMITTEE MEMBER/CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

None.

**ADJOURNMENT**

Chair Lopez Tagaloa adjourned the meeting at 11:22 a.m.

Submitted by:

Submitted by:

Approved by:

\_\_\_\_\_  
Philip Lam,  
Committee Liaison

\_\_\_\_\_  
Steve Delaney,  
Secretary to the Board

\_\_\_\_\_  
Adele Lopez Tagaloa,  
Chairperson



## Memorandum

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**DATE:** October 6, 2025  
**TO:** Members of the Audit Committee  
**FROM:** Philip Lam, Director of Internal Audit  
**SUBJECT:** AUDIT REPORT – INVESTMENT DUE DILIGENCE AUDIT

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### Recommendation

Receive and file.

### Background/Discussion

Internal Audit performed an audit of the Investment Due Diligence Process.

There were two observations identified in this report: one related to opportunities to improve the management review process, and the other relating to project management framework/procedures.

### Submitted by:



**PL - Approved**

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Philip Lam  
Director of Internal Audit



## **INVESTMENT DUE DILIGENCE PROCESS AUDIT**

### **Internal Audit Department Audit Report**

**Report Date: October 6, 2025**

**OCERS Internal Audit**  
**Investment Due Diligence Process Audit**  
**October 6, 2025**

**Table of Contents**

Audit Objective, Scope, and Methodology.....	1
Conclusion and Executive Summary.....	2
Background.....	2
Observation Details and Management Response.....	4

### **Audit Objective, Scope, and Methodology**

The objective of this audit was to provide an independent review of the design and operating effectiveness of the controls management has in place over the due diligence process to comply with OCERS Investment Policy Statement ("Policy") and department procedures. For the purposes of this audit, due diligence includes the hiring of new investment managers (onboarding) and ongoing compliance monitoring of existing investment managers.

This was the first audit of this process by Internal Audit. An advisory engagement took place in 2019 and was presented to the Committee on January 13, 2020.

The scope of the audit covered the period from January 2023 through December 2024. During the period, twenty new managers were on-boarded, and eight quarterly Portfolio Compliance reports were issued. Internal Audit tested the full population of new managers and a sample of Compliance Reports.

Internal Audit's methodology was to:

- Review the Policy, Charters, and Investment Department procedures related to due diligence.
- Walk through the Investment Manager onboarding and compliance reporting processes to obtain sample documentation of key controls.
- Walk through the Backstop investment management and MSCI/Burgiss/Caissa risk management applications to obtain an understanding of how due diligence procedures are documented, monitored, and retained.
- Review memos from external legal consultants, contract due diligence checklists, and investment manager agreements for onboarding new managers.
- Review consultant portfolio updates for Private Equity, Real Assets, and Real Estate asset classes.
- Review quarterly Portfolio Compliance reports and related automation script, where applicable.
- Verify performance benchmarks are evaluated by Investment Staff for compliance.
- Verify that the Chief Investment Officer ("CIO") and Chief Executive Officer ("CEO") provide written, dated approval for the Contract Due Diligence Checklists.
- Verify that the CIO provides oversight and monitoring of Investment Managers and preparation of agenda items for the board and its committees.
- To compare best practices, Internal Audit reviewed the Investment Policies with other retirement systems in California.

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

## Conclusion / Executive Summary

### Opinion: *Satisfactory*

Overall, Internal Audit concludes that the existing controls over the due diligence process are operating effectively. There are two observations with recommendations for management to continue strengthening the control environment, especially as the investment department continues to grow. (For details, please refer to page four.)

<p><b>Priority Observations</b></p> <div style="background-color: #4f81bd; color: white; text-align: center; width: 40px; margin: 10px auto;">0</div> <p><b>Important Observations</b></p> <div style="background-color: #4f81bd; color: white; text-align: center; width: 40px; margin: 10px auto;">2</div>	<p><b>Priority Observations</b></p> <p>None</p> <p><b>Important Observations</b></p> <ol style="list-style-type: none"> <li>1. Management reviews performed prior to the CIO's final sign-off lack formal documentation such as criteria for approval, evidence of feedback or issues identified during the review, the resolution process, and sign-off.</li> <li>2. A project to automate the preparation of the quarterly Portfolio Compliance Report was completed in 2024. It did not undergo a project management framework/ procedure.</li> </ol>
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## Background

In accordance with the OCERS Investment Policy Statement, the Investment Committee ("Committee") governs OCERS investment program. Delegation of authority was granted by the Committee to the CIO to approve and monitor investment managers in coordination with the CEO and legal counsel.

The investment due diligence process is both qualitative and quantitative. The breadth and depth of the process is critical to compare firms and strategies relative to peers and to assess the investment strategy relative to market opportunity.

OCERS staff perform due diligence procedures consistent with industry best practices that include, but are not limited to, reviews of: firm background, investment management style, performance track record, key persons, and appropriateness relative to OCERS's goals and objectives.

Once invested, OCERS and its investment consultants perform ongoing monitoring, regular due diligence, and report their findings to the Investment Committee via a quarterly compliance report. Should an investment manager or strategy fail to meet compliance, performance expectations, or end its usefulness, OCERS may elect to place the manager/strategy on a Watch List, indicating the need for enhanced surveillance and potential for termination.

As of Q3 2024, the Investment department took the initiative to automate the quarterly Portfolio Compliance report by using application programming interfaces (“API”s) to connect with MSCI/Burgiss/Caissa and Backstop applications for reporting compliance with established investment guidelines. The report also compares performance benchmarks to reported fund performance from our custodian bank, State Street Bank and Trust. The department leveraged the continuing education and programming knowledge of a Senior Investment Analyst to develop and implement automation.

**Distributed to:**      Audit Committee Members  
                                  S. Delaney, Chief Executive Officer  
                                  M. Murphy, Chief Investment Officer  
                                  M. Serpa, Chief Legal Counsel  
                                  D. Kim, Assistant CEO External Operations  
                                  B. Shott, Assistant CEO Internal Operations  
                                  S. Chary, Director of Investments  
                                  D. Beeson, Director of Investments

### Observation Details

Observations	Management Response / Action Plan
Important Observations	
<p><b>1. Management reviews performed prior to the CIO's final sign-off lack formal documentation such as criteria for approval, evidence of feedback or issues identified during the review, the resolution process, and sign-off.</b></p> <p>Evidence of signature approval by the CIO was provided for all applicable support tested; however, reviews performed prior to the CIO's sign-off are not documented.</p> <p>For example, management has expressed that secondary reviews occur throughout the following processes during team meetings and discussions:</p> <ul style="list-style-type: none"> <li>• Portfolio Compliance Reporting</li> <li>• New Manager Selection</li> <li>• Watchlist determination</li> </ul> <p><b>Risk:</b> Not having formalized review criteria and documentation requirements may result in the review process not being as detailed as management intended and errors not being caught.</p>	<p><b>Action Plan:</b></p> <p>Management concurs with the recommendations and is in the process of exploring and developing tools through Microsoft Power Automate to support and enhance the management review process.</p> <p><b>Responsible Party:</b></p> <p>Shanta Chary, Director of Investments</p> <p><b>Completion Date:</b></p> <p>OCERS' Investments Team is in discussions with the IT Team to determine the process requirements and timeline for completion.</p>
<p><b>2. A project to automate the preparation of the quarterly Portfolio Compliance Report was completed in 2024. It did not undergo a project management framework/procedure.</b></p>	<p><b>Action Plan:</b></p> <p>Management concurs with the recommendation and will establish a peer review process for automation projects that involve programming. The Investments Team will also utilize GitHub to track and redline any code changes.</p>



### Observation Details

Observations	Management Response / Action Plan
<p>When incorporating new technologies like automation into business processes, it's recommended to include evidence of project management such as planning documents, deliverables with timelines, monitoring, post-project analysis and reviews to ensure the report is absent of errors.</p> <p>Our testing verified that the automated 09/30/24 and 12/31/24 Compliance Reports were mostly accurate; however, we discovered comments that were reported incorrectly relating to the performance of two funds on the 09/30/24 report.</p> <p>For both funds, the comments misstated that the performance was above the benchmark for the 3-year period, but below the benchmark for the 5-year period. The actual performance was below the benchmark for the 3-year period, but above the benchmark for the 5-year period. These errors did not affect the manager's overall "In Compliance" status reported.</p> <p>Also, relating to the Portfolio Compliance Report, we noted that some managers do not have investment guidelines to verify against actual performance due to their asset class. For those managers, the report shows them as "in-compliance" in the Investment Guidelines category. We</p>	<p><b>Responsible Party:</b> Shanta Chary, Director of Investments</p> <p><b>Completion Date:</b> The implementation is effective immediately.</p>

**Observation Details**

Observations	Management Response / Action Plan
<p>believe a more accurate status would be to indicate investment guidelines are not applicable to the manager.</p> <p><b><u>Risk:</u></b> Not using a project management framework/ procedure when automating a report that includes complexity, such as pulling data from multiple sources, multiple criteria to evaluate, and automated comments, increases the risk of errors.</p>	

### **Categories of Observations (Control Exceptions)**

#### **Priority Observations:**

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

#### **Important Observations:**

These items are important to the process owner, and they do impact the control environment and/or could be observations for improving the efficiency and/or effectiveness of OCERS' operations. Management is expected to address up to three to six months after the date of the audit report.

### **Management's Responsibility for Internal Control**

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

### **Internal Control Limitations**

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

### **Audit Report Opinions**

**Satisfactory:**

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

**Opportunities for Improvement:**

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

**Inadequate:**

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



## Memorandum

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**DATE:** October 6, 2025  
**TO:** Members of the Audit Committee  
**FROM:** Philip Lam, Director of Internal Audit  
**SUBJECT:** **AUDIT REPORT – ORANGE COUNTY SANITATION DISTRICT EMPLOYER AUDIT**

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### Recommendation

Receive and file.

### Background/Discussion

Internal Audit performed an employer audit of the Orange County Sanitation District.

There was one observation identified in this report relating to the supervisory review process.

### Submitted by:



**PL - Approved**

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Philip Lam  
Director of Internal Audit



## **ORANGE COUNTY SANITATION DISTRICT EMPLOYER AUDIT**

**Internal Audit Department  
Audit Report**

**Report Date: October 6, 2025**

**OCERS Internal Audit**  
**Orange County Sanitation District**  
**Employer Audit**  
**October 6, 2025**

**Table of Contents**

Audit Objective, Scope, and Methodology.....1

Conclusion and Executive Summary.....2

Background.....2

Observation Details and Management Response.....4

### **Audit Objective, Scope, and Methodology**

The objective of this audit is to provide an independent review of the completeness and accuracy of Orange County Sanitation District's (OC San) payroll transmittal data. This includes, but is not limited to, the controls OCERS has in place over the payroll transmittals.

The scope of the audit included OC San's payroll data submitted to OCERS between January 2023 and December 2024 on a sample basis.

Internal Audit sampled 60 payroll transactions from OC San's approximately 32,900 payroll transactions over the two-year period. Internal Audit's procedures included:

- Reviewed, on a sample basis, OC San's support documentation for the pensionable pay reported in its payroll transmittals to OCERS.
- Verified that base pay reported by OCERS through payroll transmittals matched OC San's human resource records and publicly available pay schedules for completeness and accuracy.
- Recalculated contributions collected from OC San to ensure that contributions were paid according to Segal contribution rates as approved by the OCERS' Board.
- Reconciled OC San employee headcount from the payroll system against OCERS annual actuarial extract of members.
- Reviewed Member Affidavits for completeness.
- Reviewed OC San's controls in place to ensure its compliance with OCERS' Board Membership Eligibility Policy.

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



### Conclusion / Executive Summary

#### Opinion: *Satisfactory*

Overall, Internal Audit found the controls over payroll transmittal data to be operating and designed effectively. There was one observation relating to best practice process improvements. For further details, please see page four.

<b>Priority Observations</b> <div>0</div>	<b>Priority Observations</b> None
<b>Important Observations</b> <div>1</div>	<b>Important Observations</b> <b>1. The Temporary Staffing Budget Tracking Report lacks evidence of management's review.</b>

### Background

The Orange County Sanitation District (OC San) is a special district established by the California Legislature and governed by a 25-member board of directors.

OC San owns and operates certain wastewater facilities to provide regional wastewater collection, treatment, and recycling services to approximately 2.6 million people living in a 479-square-mile area of central and northwest Orange County.

OC San is one of OCERS' five largest Employers. OC San and its employees contributed approximately \$17.4 million and \$18.9 million to the OCERS pension plan for the years ended December 31, 2023, and December 31, 2024, respectively. It has 632 active members.

OC San was last audited on June 2020 with a Satisfactory opinion.

**Distribution to OCERS:**

Audit Committee Members  
S. Delaney, Chief Executive Officer  
M. Murphy, Chief Investment Officer  
M. Serpa, Chief Legal Counsel  
D. Kim, Assistant CEO External Operations  
B. Shott, Assistant CEO Internal Operations  
J. Lamberson, Director of Member Services  
M. Adviento, Director of Member Services

**Distribution to OC San:**

R. Thompson, General Manager  
L. Maravilla, Director of Human Resources  
R. Wally, Director of Finance  
J. Aguilar, Human Resources Supervisor

OBSERVATION DETAILS	MANAGEMENT RESPONSE / ACTION PLAN
Important Observations	
<p><b>1. The Temporary Staffing Budget Tracking Report lacks evidence of management's review.</b></p> <p>Internal Audit noted that the Temporary Staffing Budget Tracking report is prepared and signed off by the HR Technician II. We learned during the audit that a review is performed by a manager, but it is not documented.</p> <p>The reviewer's sign off and date should be added to evidence management's oversight and approval that the data was verified to be complete and accurate.</p> <p>Additionally, the report is maintained as a single "live" document with historical records since its creation. This practice limits record retention and version control. A stronger approach and best practice would be to save a new, dated version of the spreadsheet after each review, ensuring a complete audit trail and more reliable tracking of changes over time.</p> <p><b>Risk:</b> The lack of documented evidence of an independent review and proper version control increases the risk of potential errors or inappropriate</p>	<p><b>Action Plan:</b> OC San Human Resources to add formal supervisor review and sign-off of both parties on a monthly basis.</p> <p><b>Responsible Party:</b> Janine Aguilar, Human Resources Supervisor</p> <p><b>Completion Date:</b> 10/1/2025</p>

OBSERVATION DETAILS	MANAGEMENT RESPONSE / ACTION PLAN
changes going undetected and an insufficient audit trail for compliance and oversight purposes.	

### **Categories of Observations (Control Exceptions)**

#### **Priority Observations:**

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

#### **Important Observations:**

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

### **Management's Responsibility for Internal Control**

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

### **Internal Control Limitations**

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

### **Audit Report Opinions:**

#### **Satisfactory:**

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

#### **Opportunities for Improvement:**

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

#### **Inadequate:**

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



## Memorandum

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DATE: October 6, 2025  
 TO: Members of the Board of Retirement  
 FROM: David Kim, Assistant CEO, External Operations, OCERS  
 SUBJECT: **MEMBER SERVICES QUALITY ASSURANCE REPORT JANUARY – SEPTEMBER 2025**

---

### RESOLUTIONS STATUS:

1. Creation of a Member Services Quality Assurance Team **(Completed)**
2. FAS Calculation “EXCEL TOOL” Development **(Completed)**
3. MXIP Training Program Development **(Completed)**
4. Robotic Process Automation “RPA BOT” Development **(Completed)**
  - a. 2023 Retirement Application Assignment BOT 2.1
  - b. 2023 Retirement Application QA BOT 2.2
  - c. 2024 Retirement Application Processing BOT 3.0
  - d. 2024 MS Retirement Payroll Reconciliation 4.0 BOT
5. Employer Data Project **(In Progress)**
6. Member Services Master Repository Project, Process Flows and Business Rules **(In Progress)**

### January – September 2025 RESULTS:

#### Types of errors found:

##### Retirement Operations RPS Team errors:

- Years of Service incorrect/Service Audit not performed during initial estimate.
- Retro Pay adjustments incorrect
- Incorrect hourly rates

### BACKGROUND

In 2024, the Audit Committee instructed the Internal Audit (IA) department to reduce the number of Final Average Salary audits each year to 1 per year and requested Member Services to provide their own Quality Assurance reporting for their FAS process to the Audit Committee going forward each year. Since the initial audit performed in 2020 by Internal Audit, the Member Services team has made many updates to controls and processes to improve the quality of the FAS calculations, including automated solutions. The four (4) RPA Bots noted above not only improved efficiency but also helped reduce errors by automating manual steps. The automation eliminated the risk of entering incorrect information and performed checks and reconciliations to ensure that accurate data was entered into the PAS.

### 2025 Improvements:

While Member Services has continued to receive 100% accuracy marks from the FAS audit from Internal Audit for 2024 and the Alameda FAS recalculation audit in 2025, Member Services Management Team is currently working on the following projects to help improve our processes even more.

1. **Automation of MOU Analysis** - We have been working with our new CTO to develop a proof of concept with Microsoft, Google, Slalom to use AI as a tool to help us create a MOU quick reference guide for use with our retirement teams, employer data gathering, the PAS upgrade and RPA development.
2. **Employer Data Project** - The Employer Payroll Team met with various employers during 2025 to review their reporting of pensionable time off and pensionable holiday compensation and discuss strategies for minimizing data issues related to these pay items as part of the upcoming implementation of the new PAS.

**Employer Meetings Held:**

**July 8** – Orange County Superior Court (In Person)

**July 10** – Orange County Auditor Controller’s Office (Virtual)

**July 30** – Orange County Auditor Controller’s Office (In Person)

**August 5** – Orange County Transportation Authority (OCTA) (In Person)

**August 13** – The Toll Roads (TCA) (In Person)

**August 26** – Quarterly All Employer Update Meeting (In Person)

3. **Member Services Master Repository Project** - Set to complete our Member Services Master Repository Project by 3/31/2026.

**Next Steps**

1. Enhance QA Reporting for our individual team members to be provided on a quarterly basis for training.
2. Enhance Team level QA reporting to be provided on a quarterly basis for goal setting and process improvement activities.

**Submitted by:**



MA-Approved

Mark Adviento  
Director, Member Services



JL-Approved

Jeff Lamberson  
Director, Member Services



DK-Approved

David Kim  
Assistant CEO, External Operations

## Appendix

### Results:

Out of 27 months of IA FAS review since Member Services implemented our Excel Tool in 2021, **we have achieved 19 months of 100% accuracy.** We continue to improve our QA processes with the goal of achieving consistent 100% Accuracy results.

Quarter	Benefit Applications	Tested by Internal Audit (IA)	IA Error Count	IA Error Rate
<b>Applications Processed Under the Revised FAS Calculation Procedure</b>				
Q3/2021	75	75	6	8.0% *
Q4/2021	154	134	2	1.5% *
Q1/2022	196	50	1	4.0% *
Q2/2022	607	41	1	2.4% *
Q3/2022	151	40	0	0.0%
Q1/2023	102	40	0	0.0%
Q3/2023	128	40	2	5.0% *
Q3/2024	128	30	0	0.0%

\* Each of the quarters contained at least one month with 100% accuracy

**In 2025, Internal Audit also performed an audit of Member Services Alameda II recalculations where we were provided another 100% accuracy score.**





## Memorandum

---

**DATE:** October 6, 2025  
**TO:** Members of the Audit Committee  
**FROM:** Philip Lam, Director of Internal Audit  
**SUBJECT:** INTERNAL AUDIT DEPARTMENT UPDATE

---

### Background/Discussion

There have been changes to the composition of the Internal Audit team over the past few months. Below is a summary of the changes:

#### Senior Internal Auditor

- Mark Adviento, Senior Internal Auditor, accepted the position of Director of Member Services and transitioned into his new role on May 30, 2025.
- Alex McDowell was hired to fill the vacancy and started on August 22, 2025.
  - Alex was most recently at the State Universities Retirement System of Illinois where he worked as an Internal Audit Assistant Manager.
  - Prior to that, he worked at the Illinois State Treasurer's Office and in public accounting for Sikich LLP as an auditor.
  - He has over eight years of audit experience and has four audit-related certifications.

#### Internal Auditor

- Esther Hong, Internal Auditor, transitioned to the role of Compliance Officer on September 19, 2025 and now reports to Manuel Serpa, General Counsel.
- Esther's former position on the Internal Audit team will not be filled.

### Submitted by:



**PL - Approved**

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Philip Lam  
Director of Internal Audit



## Memorandum

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**DATE:** October 6, 2025  
**TO:** Members of the Audit Committee  
**FROM:** Philip Lam, Director of Internal Audit  
**SUBJECT:** GLOBAL INSTITUTE OF INTERNAL AUDITOR'S CONFERENCE REPORT

---

### *Written Report*

I am writing to share key insights from my attendance at the Global Institute of Internal Auditors (IIA) Conference held in Toronto, Canada, in July 2025. This annual event brought together internal audit professionals from around the world to exchange knowledge, explore emerging trends, and share innovative practices.

One of the most prominent themes throughout the conference was the emergence of Artificial Intelligence (AI) into internal audit functions. **Most internal audit departments are just starting to explore and test use cases.** Below are examples of some areas being tested/considered:

1. Risk Assessment & Audit Planning
  - Using AI to analyze historical audit findings, internal loss / incident data, external risk indicators to inform and prioritize audit universe.
  - Dynamic risk assessments that adjust as new data (internal/external) comes in (continuous or periodic updates).
2. Fraud Detection & Anomaly Detection
  - Machine learning models to detect unusual patterns, duplicate payments, suspicious vendor relationships, etc.
  - Scanning large data sets (financial, transactional) to flag possible misstatements or transactions that deviate from norms.
3. Document Review / Contract Analysis / Text Analytics
  - Natural Language Processing (NLP) to read through contracts, policies, regulatory texts, legal documents, etc., and identify key terms, risk clauses, changes, obligations.
  - Summarization of documents, regulatory updates, etc., to help auditors stay on top of what's changed.
4. Audit Report Drafting / Workpapers / Narrative Generation
  - Using GenAI to generate first drafts of audit reports, findings, observations, causes, risk statements, etc.
5. Chatbots / Virtual Assistants / AI Agents

- Internal audit-focused chatbots that can assist auditors by answering questions, suggesting test procedures, or giving guidance during planning or execution.
- Agentic AI for recurring tasks (evidence collection, issue tracking, reminders, etc.).

#### 6. Efficiency Gains in Administrative Tasks

- Automating scheduling, workflow coordination, reminders, intake forms, project management tasks.
- Automating QA (quality assurance) of workpapers, consistency checks.

I made a point to talk to audit professionals from China since the advancements in AI are heavily there and in the US. The auditors from mainland China and Hong Kong that I spoke with mentioned they use both the American large language models, such as ChatGPT, and Chinese models, such as DeepSeek, to compare the results. They stated that, in general, both models provide useful results that are similar. They didn't think one model was better than the other but acknowledged that it's still early with their use cases.

#### Implications for our Internal Audit function

Based on these insights, I plan to take the following next steps:

- Assessment of Opportunities:
  - Conduct an assessment to identify potential areas where AI tools could assist Internal Audit.
    - Internal Audit has already developed two RPA bots that assist with our test procedures for Final Average Salary and Employer Payroll audits.
- Training and Awareness:
  - Continue to build AI knowledge within the Internal Audit team to prepare for future adoption.

Attending the Global IIA Conference was a valuable opportunity to learn about global trends and prepare our team for the evolving audit landscape.

#### Submitted by:



**PL-Approved**

Philip Lam  
Director of Internal Audit



## Memorandum

**DATE:** October 6, 2025  
**TO:** Members of the Audit Committee  
**FROM:** Philip Lam, 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 of the MAPs.

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 are operating effectively during the current year.
- For the MAPs noted as Closed – No Further Action Required (Prior Years), MAPs that have been implemented and confirmed as operating effectively prior to the current year.

#### **Submitted by:**



**PL - Approved**

Philip Lam  
 Director of Internal Audit



## Management Action Plan Status Report

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

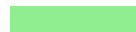
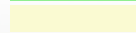

Process Owner(s): ALL

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 with the highest standards of excellence."*



REPORTING FOR: 2018, 2019, 2020, 2021, 2022, 2023, 2024, ARCHIVED	OPEN	Closed - No Further Action Required (YTD)	Closed - No Further Action Required (Prior Years)	Total
<b>Process Owner</b>				
EMPLOYER	2	0	28	30
EXECUTIVE	0	0	8	8
FINANCE	0	2	3	5
HUMAN RESOURCES	0	1	5	6
INFORMATION SECURITY	0	3	16	19
INFORMATION TECHNOLOGY	0	0	9	9
INVESTMENTS	0	0	1	1
MEMBER SERVICES	0	2	28	30
<b>Total Count:</b>	<b>2</b>	<b>8</b>	<b>98</b>	<b>108</b>

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

 On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
 Page 1 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**Project:** 89 - 2433- OCERS Employer Audit

**PROCESS OWNER:** EMPLOYER

**Report Date:** 12/12/2024

**Total Observations:** 1

**OBSERVATION #2 - 2. THE OCERS DIRECT EMPLOYEE HANDBOOK CURRENTLY LACKS A SECTION DETAILING THE PREMIUM PAY ITEMS AVAILABLE TO OCERS DIRECT EMPLOYEES.**

OPEN

**Due Date:** 12/31/2025

On Schedule

**Action Plan:** OCERS is set to review the OCERS Direct handbook in 2025.  
 This information will be included.

**IA Follow-Up:**

**Project:** 91 - 2432 - LAFCO employer audit

**PROCESS OWNER:** EMPLOYER

**Report Date:** 03/25/2025

**Total Observations:** 1

**OBSERVATION #1 - LAFCO'S BOARD RESOLUTION DOCUMENTING THE USE OF AN EMPLOYER PAID PICKUP OF EMPLOYEE CONTRIBUTIONS CAN BE MORE ACCURATELY STATED.**

OPEN

**Due Date:** 12/31/2025

On Schedule

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
 Page 2 of 39



## Management Action Plan Status Report

Project(s): ALL

Mgmt. Status: OPEN,  
CLOSED - NO FURTHER  
ACTION REQUIRED

Process Owner(s): ALL

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### Action Plan:

Since 2005, LAFCO has adopted a resolution annually establishing the employer/employee rates adopted by the OCERS Board and the employer paid pickups established by the County of Orange for LAFCO and special districts. Each year, the adopted and affirmed resolution, which reflects the employer paid pickup of .51 is provided to OCERS staff. The FY 2023-24 adopted revised resolution (CP 22-08R) was provided on 04/17/2023 and 08/09/2024.

The FY 2025-26 resolution includes language to further clarify and reaffirm the Commission's responsibility for the employer paid pickup for its Legacy employees. Additionally, LAFCO general counsel indicates that the Commission-adopted resolution represents OC LAFCO's approval and implementation of the employer paid pickup. Copies of emails further confirm the agreement facilitated by the County of Orange have also been provided to OCERS staff and County Auditor Controller's office.

Based on recent discussions with OCERS, the language included in the FY 2025-26 resolution can be further modified to clarify that the employer pickups comply with \$31581.2 and \$31581.1 towards the employee's contribution rate for legacy employees at the 2.7% @ 55 Plan.

Together, these documents represent formal documentation of the employer pickup rates.

Provided resolutions to OCERS annually upon Commission approval since 2005. Most recent resolution approved by the Commission was on November 13, 2024, and provided to OCERS on November 27, 2024.

The resolution for Fiscal Year 2026-27 is expected to be presented in November or December of 2025 to the Commission and will have the modified language to clarify any ambiguity.

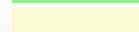
### IA Follow-Up:

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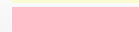
Executed By: OCERS\plam



On Schedule to complete MAP



Missed Due Date (1st Time), planned to complete by Revised Due Date



Missed Due Date (2nd Time) since latest Revised Due Date

Doc. No. 0080-0120-R0001

Page 3 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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

**PROCESS OWNER:** EMPLOYER

**Report Date:** 11/08/2018

**Total 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**

CLOSED

**Completion Date:** 01/05/2022

MAP Status Unassigned

**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.

**Project:** 63 - 2235 - The Toll Roads Employer Audit

**PROCESS OWNER:** EMPLOYER

**Report Date:** 02/14/2023

**Total Observations:** 4

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

CLOSED

**Completion Date:** 03/22/2023

MAP Status Unassigned

**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.

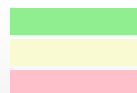
**OBSERVATION #2 - FOR TWO MEMBERS IN OUR TEST SAMPLE, THE EMPLOYER INCORRECTLY REPORTED THE PAYROLL INFORMATION TO THE OCERS PENSION ADMINISTRATION SYSTEM (PAS).**

CLOSED

**Completion Date:** 05/02/2023

MAP Status Unassigned

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam



On Schedule to complete MAP

Missed Due Date (1st Time), planned to complete by Revised Due Date

Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**

Page 4 of 39





## Management Action Plan Status Report

Project(s):  
Mgmt. Status:

ALL  
OPEN,  
CLOSED - NO FURTHER  
ACTION REQUIRED

Process Owner(s): ALL

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**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.

CLOSED

**Completion Date:** 03/22/2023

MAP Status Unassigned

**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.

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

CLOSED

**Completion Date:** 06/18/2024

On Schedule

**Action Plan:**

- 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 and Employee Handbook was updated with Car Allowance documentation

**Project:** 64 - 2331 - Children and Families Commission

**PROCESS OWNER:** EMPLOYER

**Report Date:** 04/05/2023

**Total Observations:** 3

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

CLOSED

**Completion Date:** 05/02/2023

MAP Status Unassigned

**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.

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
Page 5 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**IA Follow-Up:** IA confirmed the 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.**

CLOSED

**Completion Date:** 08/01/2023

MAP Status Unassigned

**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.**

CLOSED

**Completion Date:** 05/04/2023

MAP Status Unassigned

**Action Plan:** CFCOC staff will work with Commission Counsel and develop internal guidelines.

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

**Project:** 65 - 2332 - OC Superior Court

**PROCESS OWNER:** EMPLOYER

**Report Date:** 04/05/2023

**Total Observations:** 2

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

CLOSED

**Completion Date:** 08/01/2023

MAP Status Unassigned

**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.**

CLOSED

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
Page 6 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**Completion Date:** 04/17/2023

MAP Status Unassigned

**Action Plan:**

The Court will complete the following:

- 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?"  
 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
- 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?"  
 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

**IA Follow-Up:**

IA Confirmed the necessary information was provided to OCERS

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

**PROCESS OWNER:** EMPLOYER

**Report Date:** 10/11/2023

**Total Observations:** 4

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

CLOSED

**Completion Date:** 01/10/2024

On Schedule

**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.

**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.**

CLOSED

**Completion Date:** 07/29/2024

1st Missed Due Date

**Revised Due Date:** 08/01/2024

**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.

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
 Page 7 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**IA Follow-Up:** IHSS Public Authority provided the refund transmittals

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

CLOSED

**Completion Date:** 03/18/2024

On Schedule

**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 updated the Salary Adjustment Authorization form

**OBSERVATION #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.**

CLOSED

**Completion Date:** 03/21/2024

On Schedule

**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 provided updated Member Affidavit forms and updated their process.

**Project:** 73 - 2333 - Audit of OCFA employer audit

**PROCESS OWNER:** EMPLOYER

**Report Date:** 10/11/2023

**Total Observations:** 3

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

CLOSED

**Completion Date:** 09/14/2023

MAP Status Unassigned

**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.**

CLOSED

**Completion Date:** 09/12/2023

MAP Status Unassigned

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
Page 8 of 39



## Management Action Plan Status Report

Project(s):  
Mgmt. Status:

ALL  
OPEN,  
CLOSED - NO FURTHER  
ACTION REQUIRED

Process Owner(s): ALL

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**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.

CLOSED

**Completion Date:** 01/11/2024

On Schedule

**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:** 84 - 2338 - OC Transportation Auth

**PROCESS OWNER:** EMPLOYER

**Report Date:** 06/06/2024

**Total Observations:** 2

### OBSERVATION #1 - IN THREE OF OUR 60 SAMPLE TRANSACTIONS, OCTA OVER-COLLECTED CONTRIBUTIONS ON A NON-PENSIONABLE PAY ITEM (E.G., VAN PAY, OR VAN POOL INCENTIVE PAY).

CLOSED

**Completion Date:** 07/11/2024

On Schedule

**Action Plan:** Information on over-collected amounts will be gathered and provided to OCTA from OCERS by mid-May. OCERS will handle refunds to retirees, deceased, terminated, and deferred retirees. Once information has been received from OCERS on amounts due to active OCTA employees, OCTA staff will process refunds within one month.

**IA Follow-Up:** OCTA processed refunds to active OCTA employees.

### OBSERVATION #2 - OCTA DOES NOT DETERMINE HOURS WORKED BY EXTRA-HELP AND REHIRED RETIREES BASED ON A FISCAL YEAR OR CALENDAR YEAR IN ACCORDANCE WITH OCERS MEMBERSHIP ELIGIBILITY REQUIREMENTS POLICY (POLICY) FOR DETERMINING MEMBERSHIP ELIGIBILITY.

CLOSED

**Completion Date:** 12/18/2024

1st Missed Due Date

**Revised Due Date:** 12/31/2024

**Action Plan:** Human Resources will create a new report to monitor Extra-Help and rehired retirees on a calendar year basis. The new report will begin monitoring hours worked from January 1, 2024, for the 2024 calendar year. In addition, Human Resources will investigate creating a new status code for rehired retirees to ensure that their hours do not exceed 960.

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
Page 9 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**IA Follow-Up:** IA obtained updated Extra Help report and item is closed.

**Project:** 85 - 2431 - OC Public Law Library

**PROCESS OWNER:** EMPLOYER

**Report Date:** 10/09/2024

**Total Observations:** 1

**OBSERVATION #1 - 1. FOR ONE MEMBER IN OUR TEST SAMPLE, THERE WAS A LACK OF SEPARATION OF DUTIES FOR TIMECARD APPROVAL.**

CLOSED

**Completion Date:**

On Schedule

**Action Plan:** Administrative Assistant Kelsey Chrisley will be added to the list of OCPLL staff with approval authority. She will review and approve a manager's timecard when no other manager is present.

**IA Follow-Up:**

**Project:** 90 - 2430 - HCA employer audit

**PROCESS OWNER:** EMPLOYER

**Report Date:** 12/12/2024

**Total Observations:** 5

**OBSERVATION #1 - 1. RETROACTIVE PAY REPORTED FOR TWO EMPLOYEES WAS INCORRECT.**

CLOSED

**Completion Date:** 09/12/2024

On Schedule

**Action Plan:** Both members whose retroactive pay was reported incorrectly have been corrected with the CAPS+ system and will be reflected in payroll transmittal adjustment files to be sent to OCERS.

**IA Follow-Up:** IA verified as closed during the course of the audit.

**OBSERVATION #2 - 2. INTERNAL AUDIT IDENTIFIED 125 HCA MEMBERS WITH INCORRECT STATUS IN OCERS PENSION ADMINISTRATION SYSTEM (PAS).**

CLOSED

**Completion Date:** 08/01/2024

On Schedule

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

Doc. No. 0080-0120-R0001  
Page 10 of 39



## Management Action Plan Status Report

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

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**Action Plan:** HCA has provided the requested documents to OCERS Member Services for the 112 members.  
OCERS has updated the PAS with the correct member status for the 13 active members.

**IA Follow-Up:** IA verified corrected status for all 125 members in the PAS.

**OBSERVATION #3 - 3. HCA HR DOES NOT USE EXTRA HELP POSITION REQUEST FORMS FOR CONTRACT EXTRA HELP EMPLOYEES, AS IT CONSISTENTLY DOES WITH NON-CONTRACT EXTRA HELP EMPLOYEES.**

CLOSED

**Completion Date:** 11/06/2024

On Schedule

**Action Plan:** The suggestion to amend the request form will be made to HCA leadership. The amendment would indicate that the employee has professional or highly technical skills (as per 5.c.i. of the OCERS Membership Eligibility Requirements policy).

**IA Follow-Up:** IA verified that the request was made.

**OBSERVATION #4 - 4. FOR 5 OF 10 EXTRA HELP EMPLOYEES SAMPLED, TOTAL HOURS REPORTED BY APPROVED TIMECARDS DID NOT MATCH THE TOTAL HOURS REPORTED ON THE HCA EXTRA HELP EMPLOYEES HOURS WORKED REPORT.**

CLOSED

**Completion Date:** 12/18/2024

On Schedule

**Action Plan:** For the five employees whose timecard hours do not match the reports, the differences were caused by missing data in our reporting system due to an archive error. This error is currently being corrected by IT.

**IA Follow-Up:** IA obtained documentation that the items is being addressed with HCA's IT Department.

**OBSERVATION #5 - 5. THE EXTRA HELP EMPLOYEES HOURS WORKED REPORTS HCA USES FOR MONITORING HOURS WORKED BY EXTRA HELP DOES NOT REPORT HOURS WORKED BY STAFF WHO HAVE BEEN HIRED AS REGULAR EMPLOYEES OR WERE SEPARATED.**

CLOSED

**Completion Date:** 10/18/2024

On Schedule

**Action Plan:** Reports only show active (current) extra help employees and do not include past or historical data, leading to the differences in employees reported on the Extra Help Employees Hours Worked reports. HRS Analytics also identified missing data in our reporting system due to an archive error. This error is currently being corrected by IT.

Recommendations will be made for a future HR system to create reporting parameters to provide past or historical data to address the discrepancy. Also, a request has been made to HRS Analytics to address the archiving error.

**IA Follow-Up:** IA verified that the request was made with upper management.

**Project:** 91 - 2432 - LAFCO employer audit

**PROCESS OWNER:** EMPLOYER

**Report Date:** 03/25/2025

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**

Page 11 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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Total Observations: 3

### OBSERVATION #2 - EMPLOYEE CONTRIBUTION RATES COLLECTED BY LAFCO FOR ITS TWO LEGACY EMPLOYEES DIFFER FROM THE FULL EMPLOYEE RATES ADOPTED BY THE OCERS BOARD.

CLOSED

#### Completion Date:

On Schedule

#### Action Plan:

The employer paid pickup was established and is calculated by the County of Orange, not LAFCO. OC LAFCO implemented the established formulas and calculation as provided by the County. To fulfill OCERS observation involving the calculation, following discussions with LAFCO general counsel and accountant and with OCERS, staff presented a recommendation to the Commission that would facilitate keeping both employer paid pickups (§31581.1 and §31581.2) at the same calculation agreed upon with the County in 2005 and resolve the underpayment and overpayment through the portion paid by the active Legacy members. The newly adjusted calculation involves the following:

-§31581.1 employer pick up =  $(1/2 \times \text{Plan B rate (average age rate)}) \times \text{discount rate}$

-§31581.2 employer pick up =  $((1/2 \times \text{Plan B rate (entry age rate)})$

-Take the amounts calculated from the §31581.1, not inclusive of the discount, and §31581.2 and subtract them from the entire employee adopted rate to get the employee paid portion.

This calculation achieves contributions being paid through the employer pickups and by the employees in line with rates established by OCERS. The OCERS-recommended calculation falls slightly short of the established rates.

During discussions with OCERS, it was noted by OCERS staff that the OCERS Pension Administration System (PAS) was designed to flag differences between Board adopted contribution rates expected, and rates reported by the employers in their transmittal payroll data. However, the PAS, through modification by OCERS and prior to the audit of LAFCO, did not alert the differences in contributions.

The calculation adjustment limiting the employer paid pickups to .51 of the B Plan with the remaining portions paid by the Legacy employees (Reso No. CP 24-07) was adopted on November 13, 2024. The County Auditor Controller will implement the change.

#### IA Follow-Up:

IA confirmed with LAFCO that they will be working with County Auditor to make the change.

### OBSERVATION #3 - RETROACTIVE PAY WAS INCORRECTLY CALCULATED FOR ONE EMPLOYEE, RESULTING IN AN OVERPAYMENT.

CLOSED

#### Completion Date:

12/12/2024

On Schedule

#### Action Plan:

To process retroactive pay, LAFCO staff submits a form to the Orange County Central Payroll department. The form includes the retroactive pay amount, pay periods for the retroactive pay, and the new pay rate for the employee. For the retroactive pay events, the Orange County Central Payroll department manually transfers the information included in the retroactive pay form to their system. LAFCO learned that there was an overpayment to the employee due to processing timing carried out by the County of Orange. The oversight resulted in an overlap between pay periods included in the form and when the new pay rate for the employee should take effect. The overpayment has been corrected and the County will send the corrected payroll transmittal. For future payroll processing involving retroactive pay or other salary adjustments, LAFCO will coordinate with County Payroll staff on deadlines for processing to avoid potential overpayments. LAFCO has notified the affected employee and completed the required paperwork from Payroll. Reimbursements of overpayments by the affected employee have been processed through County Payroll and deductions from the employee's pay.

#### IA Follow-Up:

IA verified that the overpaid pay item was corrected by the employer, the item is closed.

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

Doc. No. 0080-0120-R0001

Page 12 of 39





## Management Action Plan Status Report

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

Process Owner(s): ALL

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### OBSERVATION #4 - AN EMPLOYEE'S TIMECARD WAS MISSING SUPERVISOR APPROVAL.

CLOSED

Completion Date: 09/01/2024

On Schedule

**Action Plan:** Following a discussion with the Orange County Payroll department, confirmation was made that the time reported was processed correctly. There was no evidence or explanation for the missing approval on the timecard. The hours worked by the employee were also confirmed to be accurate and valid. For future payroll processing involving the approval of timesheets, the Commission Clerk will ensure that timesheets are approved by a supervisor prior to submitting the timesheet via OC Time. The Commission Clerk will follow up with the County immediately if reports indicate any errors or other unknown actions or comments.

**IA Follow-Up:** IA verified with employer the new process put in place, the items is closed.

Project: 60 - 2261 - Procurement Audit

PROCESS OWNER: EXECUTIVE

Report Date: 10/03/2022

Total Observations: 8

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

CLOSED

Completion Date: 01/11/2024

MAP Status Unassigned

**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:

CLOSED

Completion Date: 01/30/2023

MAP Status Unassigned

**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.

CLOSED

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

Doc. No. 0080-0120-R0001  
Page 13 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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<b>Completion Date:</b>	04/20/2023	MAP Status Unassigned
<b>Action Plan:</b>	<p>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.</p> <p>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.</p>	
<b>IA Follow-Up:</b>	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).

CLOSED

<b>Completion Date:</b>	09/12/2022	MAP Status Unassigned
<b>Action Plan:</b>	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.	
<b>IA Follow-Up:</b>	Internal Audit reviewed sample of Legal approval of final contracts	

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

CLOSED

<b>Completion Date:</b>	01/30/2023	MAP Status Unassigned
<b>Action Plan:</b>	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.	
<b>IA Follow-Up:</b>	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.

CLOSED

<b>Completion Date:</b>	04/20/2023	MAP Status Unassigned
<b>Action Plan:</b>	<p>Policy Issue:</p> <p>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.</p>	
<b>IA Follow-Up:</b>	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.

CLOSED

<b>Completion Date:</b>	01/24/2023	MAP Status Unassigned
<b>Action Plan:</b>	Management has approval to hire an additional Team Member in this department. Review procedures will be created and implemented at that time.	

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

	On Schedule to complete MAP
	Missed Due Date (1st Time), planned to complete by Revised Due Date
	Missed Due Date (2nd Time) since latest Revised Due Date

Doc. No. 0080-0120-R0001

Page 14 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**IA Follow-Up:** 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.

CLOSED

**Completion Date:** 04/20/2023

MAP Status Unassigned

**Action Plan:**

Policy Issue:

- A. Management will recommend changes to the Procurement and Contracting Policy regarding the approvals required for a contract whose value is unknown at the time of execution.
- B. Management will recommend changes to the Procurement and Contracting Policy to clarify proper approval of Named Service Providers
- C. Management will implement a process to track diverse and/or minority owned businesses in an RFP distribution sheet.

**IA Follow-Up:**

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:** 44 - 1944 - Finance Benefits Audit

**PROCESS OWNER:** FINANCE

**Report Date:** 01/13/2020

**Total Observations:** 1

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

CLOSED

**Completion Date:** 03/14/2022

MAP Status Unassigned

**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.

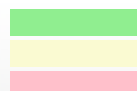
**IA Follow-Up:**

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.

**Project:** 79 - 2342 - Accounts Payable Audit

**PROCESS OWNER:** FINANCE

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam



On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**

Page 15 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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Report Date: 03/28/2024

Total Observations: 2

**OBSERVATION #1 - FINANCE MANAGEMENT SHOULD FORMALIZE THE REVIEW OF (1) THE VENDOR MASTER FILE LIST IN THE ERP SYSTEM AND (2) THE QUARTERLY ACCOUNTS PAYABLE ACCRUAL.**

CLOSED

Completion Date: 05/14/2024

On Schedule

**Action Plan:**

1. During the implementation of the ERP system, Finance purged inactive vendors from its previous accounting system, importing only active vendors into the new system that went live in 2022. Finance continues to review processes and procedures for improvement and starting in January 2024, as recommended by Internal Audit, we formally documented the annual review of the Vendor Maintenance List for the year ended December 2023 identifying vendors that could potentially be made inactive if they continue to have no activity during 2024.
2. Quarterly reconciliation of accrued payables is completed each quarter. The Accounts Payable Accountant prepares the accrual entries. The Finance Manager reviews the entries and the accrual balance for accuracy. Going forward, beginning with 4th quarter 2023, a sign-off will be noted within the file.

**IA Follow-Up:** IA confirmed the review of the Vendor Maintenance list and the Quarterly accrued payables reconciliation were performed

**OBSERVATION #2 - A NETWORK FOLDER CONTAINING 2014 ACCOUNTS PAYABLE RELATED FILES HAD NOT BEEN DELETED.**

CLOSED

Completion Date: 05/14/2024

On Schedule

**Action Plan:**

During 2022, the Finance Team reorganized the department's accounting folders and purged a large number of documents and folders in adherence with the Records Management Policy. The files in question were missed in the original purging of records and have since been deleted.

As part of the Legal Department's year-end request for an annual certification of compliance with the Records Management Policy for each department, the Finance Director emails all Finance Team Members to confirm that they are in compliance with the policy. As part of this compliance and to maintain records within the required retention period, all Finance Team members will purge files at the end of June each year, after the financial audit and other external reporting have been completed.

**IA Follow-Up:** IA confirmed the identified folders were deleted.

**Project:** 92 - 2440 - Finance Retiree Payroll audit

**PROCESS OWNER:** FINANCE

Report Date: 03/25/2025

Total Observations: 2

**OBSERVATION #1 - FINANCE DEPARTMENT'S VERIFICATION OF THIRD-PARTY PAYROLL DEDUCTIONS COULD BE MORE STRUCTURED AND CLEARLY DOCUMENTED.**

CLOSED

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

Doc. No. 0080-0120-R0001  
 Page 16 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**Completion Date:** 03/21/2025

On Schedule

**Action Plan:** Verifications are consistently performed to ensure the accuracy of information provided by employers and agencies. To strengthen controls, Finance implemented a standardized verification template for reviewing the Deductions and Adjustments import files. This template includes references to source information, a sign-off identifying the preparer of the verification, and notation that potential variances, if identified, were sent back to the employers and/or agencies for research. In the sample selected by Internal Audit, there was one instance noted where the verification was not included in the file. While the supporting documentation was obtained from the employer, the verification information was not included in the verification file due to a combination of employer staffing issues, multiple discrepancies with the file, and the imminent retiree payroll processing deadline. As a result, the verification details were saved in a separate file instead of on the template. This was an extenuating circumstance outside the standard process. Going forward, similar items and circumstances will be documented in the standard verification template referred to above to keep a consistent audit trail.

**IA Follow-Up:** IA verified that the format was revised, the item is closed.

### OBSERVATION #2 - FINANCE DEPARTMENTAL DOCUMENTED PROCEDURES DO NOT INCLUDE A PERIODIC REVIEW OF EXCEL SPREADSHEETS USED IN RETIREE PAYROLL ACCOUNTING.

CLOSED

**Completion Date:** 09/25/2025

On Schedule

**Action Plan:** Finance is currently in the process of updating procedures for monthly retiree payroll as part of the Master Repository Project. We will include a step in the procedure to formalize the annual review of the Excel spreadsheets used to record monthly retiree payroll activity, which is currently being done by the Finance Manager. (The annual review of 2025 monthly retiree payroll journal entry spreadsheets was completed on January 7, 2025, by the Finance Manager.)

**IA Follow-Up:** The Finance team has updated their procedures to include a section to address the details noted in the finding.

**Project:** 71 - 2361 - HR audit of hiring practices

**PROCESS OWNER:** HUMAN RESOURCES

**Report Date:** 10/11/2023

**Total Observations:** 4

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

CLOSED

**Completion Date:**

On Schedule

**Action Plan:** The Human Resources department will develop procedures for the hiring and recruitment practices.

**IA Follow-Up:** HR provided IA with documentation regarding the hiring and recruitment process.

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

CLOSED

**Completion Date:** 09/21/2023

MAP Status Unassigned

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
Page 17 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**Action Plan:** The 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.

**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).**

CLOSED

**Completion Date:** 09/20/2024

On Schedule

**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:** IA has verified that the meeting will be held with County counsel and union representatives.

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

CLOSED

**Completion Date:** 11/14/2024

On Schedule

**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:** We viewed the revised retention policy from the November 1st Governance meeting, we noted the retention period was changed from 4 years to 7 years.

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

**PROCESS OWNER:** HUMAN RESOURCES

**Report Date:** 10/11/2023

**Total Observations:** 1

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

CLOSED

**Completion Date:** 11/21/2023

MAP Status Unassigned

**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.

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
 Page 18 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**IA Follow-Up:** Confirmed the use of Survey Monkey for reference checks.

**Project:** 89 - 2433- OCERS Employer Audit

**PROCESS OWNER:** HUMAN RESOURCES

**Report Date:** 12/12/2025

**Total Observations:** 1

**OBSERVATION #1 - 1. IN ONE TEST SAMPLE, A PERSONNEL ACTION NOTICE (PAN) FORM WAS NOT COMPLETED TO DOCUMENT THE EMPLOYEE'S RETURN TO THEIR ORIGINAL POSITION AFTER A TEMPORARY PROMOTION ENDED.**

CLOSED

**Completion Date:** 01/08/2025

On Schedule

**Action Plan:** The department will include in the payroll processing a process for using a PAN form to return employees to their regular pay.

**IA Follow-Up:** IA verified that PAN form is being used for return to work from temporary promotions.

**Project:** 33 - 2090 - Vulnerability and Patch Management

**PROCESS OWNER:** INFORMATION SECURITY

**Report Date:** 03/22/2021

**Total Observations:** 1

**OBSERVATION #1 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION**

CLOSED

**Completion Date:** 08/07/2024

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Information Security provided the related policies

**Project:** 76 - 2391 - Azure Active Directory and Microsoft 365 Security Assessment

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**

Page 19 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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### PROCESS OWNER: INFORMATION SECURITY

Report Date: 01/19/2024

Total Observations: 12

#### OBSERVATION #101 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

Completion Date: 03/13/2024

On Schedule

Action Plan: Details Removed - Discussed in Closed Session

IA Follow-Up: Item complete

#### OBSERVATION #102 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

Completion Date: 12/30/2024

On Schedule

Action Plan: Details Removed - Discussed in Closed Session

IA Follow-Up: Item completed.

#### OBSERVATION #103 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

Completion Date: 03/13/2024

On Schedule

Action Plan: Details Removed - Discussed in Closed Session

IA Follow-Up: Item Complete

#### OBSERVATION #104 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

Completion Date: 12/24/2024

On Schedule

Action Plan: Details Removed - Discussed in Closed Session

IA Follow-Up: Item is closed.

#### OBSERVATION #105 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

Completion Date: 04/01/2024

On Schedule

Executed: 9/29/2025 6:30:01 PM

Executed By: OCERS\plam

	On Schedule to complete MAP
	Missed Due Date (1st Time), planned to complete by Revised Due Date
	Missed Due Date (2nd Time) since latest Revised Due Date

Doc. No. 0080-0120-R0001

Page 20 of 39





## Management Action Plan Status Report

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

Process Owner(s): ALL

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**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item completed.

### OBSERVATION #106 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 03/13/2024

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item complete

### OBSERVATION #201 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 03/13/2024

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item complete

### OBSERVATION #202 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 05/13/2024

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item completed

### OBSERVATION #203 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 05/13/2024

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item completed

### OBSERVATION #301 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 12/29/2023

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

Doc. No. 0080-0120-R0001  
 Page 21 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**IA Follow-Up:** Item completed

### OBSERVATION #302 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 12/29/2023

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item closed

### OBSERVATION #303 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 12/02/2024

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item completed

**Project:** 83 - 2491 - CIS Controls Assessment

**PROCESS OWNER:** INFORMATION SECURITY

**Report Date:** 10/09/2024

**Total Observations:** 6

### OBSERVATION #1 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 12/09/2024

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item is closed.

### OBSERVATION #2 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 12/18/2024

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

Executed: 9/29/2025 6:30:01 PM

Executed By: OCERS\plam

	On Schedule to complete MAP
	Missed Due Date (1st Time), planned to complete by Revised Due Date
	Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**

Page 22 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**IA Follow-Up:** Item is closed.

### OBSERVATION #3 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 12/02/2024

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item is closed.

### OBSERVATION #4 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 01/31/2025

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item is closed.

### OBSERVATION #5 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 03/10/2025

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Item is closed.

### OBSERVATION #6 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

**Completion Date:** 06/27/2025

On Schedule

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** The Information Security team developed procedure documents to address the finding.

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

**PROCESS OWNER:** INFORMATION TECHNOLOGY

**Report Date:** 10/23/2018

**Total Observations:** 1

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**

Page 23 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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### OBSERVATION #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.

CLOSED

Completion Date: 01/11/2024

On Schedule

**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:** 6 - 1901 - Finance Contributions audit

**PROCESS OWNER:** INFORMATION TECHNOLOGY

**Report Date:** 05/16/2019

**Total 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.

CLOSED

Completion Date: 08/07/2024

On Schedule

**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:** IT/InfoSec has:  
 1. Developed the Account Management and Access Control Policies.  
 2. Created an annual User Account review process and supporting documentation.  
 3. Established a means for staff to review data

**Project:** 36 - 1943 2019 BCDR Audit

**PROCESS OWNER:** INFORMATION TECHNOLOGY

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
 Page 24 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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Report Date: 10/17/2019

Total Observations: 2

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

CLOSED

Completion Date: 04/10/2024

On Schedule

Action Plan: OCERS IT will formalize and adopt a new Business Continuity and Disaster Recovery test plan that will include test activities, confirmation, and sign-off by the various business units within OCERS.

IA Follow-Up: IT developed a test plan that will require coordination with management to perform testing for IT managed systems. This includes an assessment form and a department validation forms to be completed by management participants.

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

CLOSED

Completion Date: 04/10/2024

On Schedule

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: Documentation of the recovery process was provided. 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

PROCESS OWNER: INFORMATION TECHNOLOGY

Report Date: 06/04/2020

Total 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.

CLOSED

Completion Date: 01/13/2022

MAP Status Unassigned

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

Doc. No. 0080-0120-R0001  
Page 25 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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<b>Action Plan:</b>	<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>
<b>IA Follow-Up:</b>	<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.

CLOSED

<b>Completion Date:</b>	08/23/2023	MAP Status Unassigned
<b>Action Plan:</b>	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	
<b>IA Follow-Up:</b>	Enhancements have been made to the vendor management system. Processes and Procurement policy needs to be formally updated.	

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

CLOSED

<b>Completion Date:</b>	12/11/2024	On Schedule
<b>Action Plan:</b>	<p>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.</p> <p>Additional data flow diagrams may be developed along with process flow diagrams as part of future lean process improvements.</p>	
<b>IA Follow-Up:</b>	IA obtained from IT data flow diagrams and other documentation to illustrate where sensitive data, such as SSNs, that reside and flow both within the PAS and to/from external parties.	

**Project:** 42 - 2032 - Actuarial Extract Audit

**PROCESS OWNER:** INFORMATION TECHNOLOGY

**Report Date:** 10/13/2020

**Total Observations:** 1

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

	On Schedule to complete MAP
	Missed Due Date (1st Time), planned to complete by Revised Due Date
	Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**

Page 26 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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

CLOSED

Completion Date:	01/11/2024	MAP Status Unassigned
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.	

Project: 66 - 2171 - IT Automated Controls

PROCESS OWNER: INFORMATION TECHNOLOGY

Report Date: 02/14/2023

Total 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.

CLOSED

Completion Date:	09/03/2024	On Schedule
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:	IT Ops received the information back from Vitech and updated the V3 Design Specs to include the information identified in the Observation.	

Project: 58 - 2211 - Investment Manager Fee Report

PROCESS OWNER: INVESTMENTS

Report Date: 03/30/2022

Total 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

CLOSED

Completion Date:	09/12/2022	MAP Status Unassigned
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Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

	On Schedule to complete MAP
	Missed Due Date (1st Time), planned to complete by Revised Due Date
	Missed Due Date (2nd Time) since latest Revised Due Date

Doc. No. 0080-0120-R0001  
 Page 27 of 39



## Management Action Plan Status Report

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

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**Action Plan:** We acknowledge and concur with the observation. We believe that documenting the process will strengthen Investment Division's procedures while also providing a strong audit trail.

**IA Follow-Up:** Internal Audit reviewed the Fee Report Procedure and signoff for the 2021 Annual Fee Report presented at the August 2022 Investment Committee meeting.

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

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 12/04/2012

**Total Observations:** 1

### OBSERVATION #1 - MANUAL FAS OVERRIDE

CLOSED

**Completion Date:** 09/13/2022

MAP Status Unassigned

**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% accuracy process

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

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 06/24/2016

**Total Observations:** 1

### OBSERVATION #4 - DEATH DATA VENDORS

CLOSED

**Completion Date:**

MAP Status Unassigned

**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 RFP 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

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**

Page 28 of 39





## Management Action Plan Status Report

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

Process Owner(s): ALL

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**Project:** 31 - Disability Payment Audit (2018)

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 01/28/2019

**Total Observations:** 1

### OBSERVATION #1 - DISABILITY PAYMENT CALCULATION

CLOSED

**Completion Date:** 01/05/2022

MAP Status Unassigned

**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:** 40 - 1945- FAS Pay Items Audit

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 06/04/2020

**Total Observations:** 1

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

CLOSED

**Completion Date:** 03/14/2023

MAP Status Unassigned

**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.

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
 Page 29 of 39



## Management Action Plan Status Report

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

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

**Project:** 42 - 2032 - Actuarial Extract Audit

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 10/13/2020

**Total Observations:** 1

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

CLOSED

**Completion Date:** 05/15/2023

MAP Status Unassigned

**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.

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

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 03/22/2021

**Total Observations:** 1

**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.**

CLOSED

**Completion Date:**

MAP Status Unassigned

Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

On Schedule to complete MAP  
Missed Due Date (1st Time), planned to complete by Revised Due Date  
Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
Page 30 of 39



## Management Action Plan Status Report

Project(s):  
Mgmt. Status:

ALL  
OPEN,  
CLOSED - NO FURTHER  
ACTION REQUIRED

Process Owner(s): ALL

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<b>Action Plan:</b>	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.
<b>IA Follow-Up:</b>	As part of the continuous audit for the FAS calculation, Internal Audit noted the MAP was completed during the July 1 payroll review.

**Project:** 56 - 2133 - Dependent Survivor Eligibility Audit

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 10/04/2021

**Total Observations:** 4

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

CLOSED

<b>Completion Date:</b>	01/05/2022	MAP Status Unassigned
<b>Action Plan:</b>	Member Services Management has worked with our IT partners to develop two reports that will alert us if we have a member that has a death date entered but does not have a survivorship processed. This will help us catch this type of oversight in the future. A process will be developed to monitor the reports/alerts and take appropriate action. Member Services will also research with ViTech to see if it would be possible to have an automated letter mailed out each month to a member's beneficiaries once a death date is entered and to conclude when a survivorship is processed to the beneficiaries. This will help ensure member beneficiaries are made aware of their possible benefit.  2 Reports are as follows: • Deceased Retirees with No Associated Burial Benefit nor Survivorship benefit established. • Deceased Retirees with an Associated Burial Benefit but no Survivorship benefit established.	
<b>IA Follow-Up:</b>	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.

CLOSED

<b>Completion Date:</b>	01/26/2023	MAP Status Unassigned
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Executed: 9/29/2025 6:30:01 PM  
Executed By: OCERS\plam

	On Schedule to complete MAP
	Missed Due Date (1st Time), planned to complete by Revised Due Date
	Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**  
Page 31 of 39



## Management Action Plan Status Report

Project(s):  
Mgmt. Status:

ALL  
OPEN,  
CLOSED - NO FURTHER  
ACTION REQUIRED

Process Owner(s): ALL

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<b>Action Plan:</b>	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.
<b>IA Follow-Up:</b>	Confirmed procedures were updated for Member Services to verify COLA and Pension amounts for survivor benefit payments.

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

CLOSED

<b>Completion Date:</b>	04/25/2024	On Schedule
<b>Action Plan:</b>	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.	
<b>IA Follow-Up:</b>	IA reviewed new QA Process document	

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

CLOSED

<b>Completion Date:</b>	03/16/2022	MAP Status Unassigned
<b>Action Plan:</b>	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.	
<b>IA Follow-Up:</b>	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

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 03/30/2022

**Total 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.

CLOSED

<b>Completion Date:</b>	01/30/2023	MAP Status Unassigned
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Executed: 9/29/2025 6:30:01 PM  
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	On Schedule to complete MAP
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**Doc. No. 0080-0120-R0001**  
Page 32 of 39



## Management Action Plan Status Report

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

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**Action Plan:** Member Services 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:** 59 - 2232 - Quarterly FAS Review (Q1 2022)

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 03/30/2022

**Total 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**

**CLOSED**

**Completion Date:** 01/26/2023

MAP Status Unassigned

**Action Plan:** 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.

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.

**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)

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 10/03/2022

**Total Observations:** 1

Executed: 9/29/2025 6:30:01 PM  
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On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**

Page 33 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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### OBSERVATION #1 - INTERNAL AUDIT NOTED A 2.4% ERROR RATE (ONE ERROR) WITH THE 41 FAS CALCULATIONS SAMPLED FROM THE 2ND QUARTER OF 2022.

CLOSED

<b>Completion Date:</b>	03/17/2023	MAP Status Unassigned
<b>Action Plan:</b>	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. Work with the Employer, Sanitation District, to correct errors in the transmittal before OCERS can begin the process of calculating the FAS and benefit.	
<b>IA Follow-Up:</b>	IA confirmed Member Services provided the additional training and communicated the error with OC Sanitation District.	

**Project:** 67 - 2202 - Alameda Audit

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 04/05/2023

**Total Observations:** 3

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

CLOSED

<b>Completion Date:</b>	05/15/2023	MAP Status Unassigned
<b>Action Plan:</b>	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.	
<b>IA Follow-Up:</b>	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).

CLOSED

<b>Completion Date:</b>	05/15/2023	MAP Status Unassigned
<b>Action Plan:</b>	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.	
<b>IA Follow-Up:</b>	Confirmed new control for overpayment allocation was implemented.	

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

	On Schedule to complete MAP
	Missed Due Date (1st Time), planned to complete by Revised Due Date
	Missed Due Date (2nd Time) since latest Revised Due Date

**Doc. No. 0080-0120-R0001**

Page 34 of 39



## Management Action Plan Status Report

Project(s):  
Mgmt. Status:

ALL  
OPEN,  
CLOSED - NO FURTHER  
ACTION REQUIRED

Process Owner(s): ALL

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

CLOSED

Completion Date: 01/19/2024

MAP Status Unassigned

**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 provided the updated procedure.

**Project:** 68 - 2334 - Member Data Maintenance\_Bank Account Changes

**PROCESS OWNER: MEMBER SERVICES**

**Report Date:** 06/01/2023

**Total Observations:** 5

### OBSERVATION #1 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

Completion Date: 06/01/2023

MAP Status Unassigned

**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

CLOSED

Completion Date: 12/18/2023

MAP Status Unassigned

**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

CLOSED

Completion Date: 12/18/2023

MAP Status Unassigned

**Action Plan:** Details Removed - Discussed in Closed Session

**IA Follow-Up:** Member Services provided IT ticket to PAS vendor for letter generation.

Executed: 9/29/2025 6:30:01 PM  
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On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
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**Doc. No. 0080-0120-R0001**

Page 35 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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### OBSERVATION #4 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

Completion Date:	01/18/2024	MAP Status Unassigned
Action Plan:	Details Removed - Discussed in Closed Session	
IA Follow-Up:	Member Services confirmed direct deposit information, included reminders in meeting agendas and updated member facing information with reminders.	

### OBSERVATION #5 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION

CLOSED

Completion Date:	01/18/2024	MAP Status Unassigned
Action Plan:	Details Removed - Discussed in Closed Session	
IA Follow-Up:	Member Services included reminders during team meetings and updated materials to verify information.	

Project: 72 - 2301 - Alameda 2nd audit

**PROCESS OWNER: MEMBER SERVICES**

Report Date: 09/05/2023

Total Observations: 3

### OBSERVATION #1 - OPPORTUNITIES TO IMPROVE HOW QUALITY CHECKS ARE DOCUMENTED IN THE RECALCULATION PROCESS.

CLOSED

Completion Date:	08/14/2025	On Schedule
Action Plan:	The Member Services Management Team will make a full review of the checklist used for sign offs in the Recalculation Excel workbooks. We will also make the appropriate changes to ensure proper documentation of our existing controls are reflected for transparency.	
IA Follow-Up:	Member Services Management implemented the recommended actions in August 2025.	

### OBSERVATION #2 - KEY RECALCULATION SPREADSHEETS COULD BENEFIT FROM ADDITIONAL PROTECTIVE CONTROLS TO PREVENT UNINTENDED CHANGES.

CLOSED

Completion Date:	08/14/2025	On Schedule
Action Plan:	The Member Services Management Team will review the spreadsheet tabs listed to determine if we can lock formula cells in a way to not cause issues with the process of performing the calculations efficiently. If we are unable to lock the cells, we will ensure proper sign offs to provide evidence of the reviews performed.	
IA Follow-Up:	Member Services Management incorporated the recommendations discussed.	

Executed: 9/29/2025 6:30:01 PM  
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	On Schedule to complete MAP
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Doc. No. 0080-0120-R0001  
 Page 36 of 39





## Management Action Plan Status Report

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

Process Owner(s): ALL

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**Project:** 81 - 2336 - Payroll Transmittal Process

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 03/28/2024

**Total Observations:** 4

**OBSERVATION #1 - OCERS DOES NOT HAVE A WRITTEN POLICY ESTABLISHING PURPOSE, SCOPE, AND ROLES REGARDING THE EMPLOYERS' RESPONSIBILITY TO ADDRESS EMPLOYER PAYROLL TRANSMITTAL EXCEPTIONS IN A TIMELY MANNER.**

CLOSED

**Completion Date:** 09/03/2024

On Schedule

**Action Plan:** The Employer Payroll Team will develop a written policy establishing purpose, scope, and roles regarding the employers' responsibility to address employer payroll transmittal exceptions in a timely manner.

The Policy will incorporate the various reasons for exceptions, containing errors and False Positive errors, and how to differentiate between the two. The policy will also address the minimum acceptable levels of accuracy, based on the thorough review of what is a valid error.

The development of the Policy will include an in-depth review of all aspects of the process, including current processes of reviewing and taking corrective actions, and recommending updates for the Transmittal Exceptions report (e.g., New info vs. reoccurring items). The Policy may generate a supplemental Procedure if necessary.

While a policy is to be developed, employers were provided direction prior to V3 implementation, they have been provided guidance on a regular basis during the Annual Employer Workshop, as well as through regular channels of communication between the Employer Payroll Team and employers.

**IA Follow-Up:** Draft policy has been presented to the Governance Committee on August 15, 2024 for its review. IA considers this MAP closed. See item A-9 on the agenda.

**OBSERVATION #2 - INTERNAL AUDIT IDENTIFIED TWO TYPES OF PAYROLL EXCEPTIONS TRACKED BY THE PAS THAT GENERATE NUMEROUS FALSE POSITIVES DUE TO EITHER PAS PROGRAMMING OR INSTANCES IN WHICH EMPLOYERS ARE REPORTING INCORRECT EMPLOYEE STATUS.**

CLOSED

**Completion Date:**

On Schedule

**Action Plan:** Review exceptions by importance/priority and determine if certain exceptions can be changed/deleted, especially looking at False Positives. Reach out to the PAS vendor to determine the cost to change in logic or turn off unnecessary exceptions (false positives) once exceptions are reviewed and further categorized (if needed).

The Policy will recommend regular ongoing communication with employers, asking them to review and correct errors (that are not False Positives).

**IA Follow-Up:** IA was informed by Member Services that a ticket resolution has been filed with the PAS vendor, Vitech.

**OBSERVATION #3 - THE EMPLOYER PAYROLL TEAM'S PROCEDURE DOCUMENTATION DOES NOT PROVIDE GUIDANCE TO STAFF FOR HOW TO MONITOR IF THE EMPLOYERS ARE CORRECTING PAYROLL EXCEPTIONS.**

CLOSED

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
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**Doc. No. 0080-0120-R0001**  
 Page 37 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**Completion Date:** 09/23/2024

On Schedule

**Action Plan:** Along with development of Policy, procedural guidance will be developed for processing exceptions.

**IA Follow-Up:** IA reviewed Member Services' new Employer Handbook and verified completion of the action plan.

**OBSERVATION #4 - THE EMPLOYER PAYROLL TEAM'S DOCUMENTATION DOES NOT PROVIDE STAFF GUIDANCE ON PROCEDURES FOR CHECKING NEW MEMBER AFFIDAVIT FORMS FOR COMPLETENESS AND ACCURACY OR DESCRIBE ESCALATION STEPS TO TAKE WHEN MEMBER AFFIDAVIT FORMS MISSING, INCOMPLETE, OR CONTAINING ERRORS.**

CLOSED

**Completion Date:** 09/23/2024

On Schedule

**Action Plan:** A New Member Affidavit has been developed and is in the final stage of review. This version gathers more and clearer information.

We are also creating a Guidance Sheet for members and employers to assist them in completing the form.

New Member Enrollment processes are due to be reviewed for Master Repository Project. We will also develop a Member Services Procedure for processing Affidavits based on current process. The procedure will provide guidance on reviewing and processing Affidavits including receiving and processing timing guidelines; following up for incomplete or missing Affidavits; and incorporate supervisory reviews (e.g., 1-5 % of total new Member Affidavits received).

**IA Follow-Up:** IA reviewed Member Services' new Member Affidavit guidance sheet and new Member Affidavit form and verified completion of the action plan.

**Project:** 82 - 2339 - Quarterly FAS Review (Q3 2023)

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 03/28/2024

**Total Observations:** 1

**OBSERVATION #1 - INTERNAL AUDIT NOTED A 5.0% ERROR RATE (TWO ERRORS) WITH THE 40 FAS CALCULATIONS SAMPLED FROM THE 3RD QUARTER OF 2023.**

CLOSED

**Completion Date:** 12/02/2024

On Schedule

Executed: 9/29/2025 6:30:01 PM  
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**Doc. No. 0080-0120-R0001**  
 Page 38 of 39



## Management Action Plan Status Report

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

Process Owner(s): ALL

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**Action Plan:** Management takes all errors very seriously.

1(a) Response: In reviewing this specific transaction and the corresponding MOU section as shown below attached to this document, our Member Services team member had difficulty interpreting the language due to the many decision points within the vacation section of the document.

We will provide additional training to our team to address this risk. We are also in the process of creating a guidance sheet for the team members so they do not have to interpret the legal language in the individual MOU's.

In the future, our ongoing meetings with the employers in 2024 to address the missing data in the transmittals, will help eliminate the possibility of this type of error from happening.

1(b). Response: This error occurred post Quality Assurance (QA) when the representative was entering the approved calculation into the system.

Our new Member Services Robotic Process Automation robot (Bot), that performs a final check of a processed benefit after it has been processed in the system, will catch this type of error and prevent this from occurring in the future.

**IA Follow-Up:** IA verified implementation after reviewing MOU training class agenda regarding, MOU training guides, an employer meeting agenda from November 2024, and recent BOT report results.

**Project:** 86 - 2436 - Quarterly FAS Review (Q3 2024)

**PROCESS OWNER:** MEMBER SERVICES

**Report Date:** 12/12/2024

**Total Observations:** 1

**OBSERVATION #1 - IN OUR SAMPLE, SIX FAS CALCULATION EXCEL FILES DID NOT HAVE FORMAL EVIDENCE OF A SECONDARY QA (QUALITY ASSURANCE) REVIEW PERFORMED BY STAFF.**

**CLOSED**

**Completion Date:**

**On Schedule**

**Action Plan:** Management will update our current procedure document (in process with Master Repository Project) to include a secondary review of calculation (if necessary) based on team members experience.

Management will also add a secondary QA sign off section on the excel calculation template, so it is clear when a secondary QA review is processed.

**IA Follow-Up:**

Executed: 9/29/2025 6:30:01 PM  
 Executed By: OCERS\plam

On Schedule to complete MAP  
 Missed Due Date (1st Time), planned to complete by Revised Due Date  
 Missed Due Date (2nd Time) since latest Revised Due Date

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



## Memorandum

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**DATE:** October 6, 2025  
**TO:** Members of the Audit Committee  
**FROM:** Philip Lam, Director of Internal Audit  
**SUBJECT:** STATUS UPDATE OF 2025 AUDIT PLAN

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### *Written Report*

#### **Background/Discussion**

Attached is a comparison of the budgeted 2025 audit plan hours versus the completed program actual hours, by project.

#### **Submitted by:**



**PL - Approved**

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Philip Lam  
Director of Internal Audit

**Orange County Employees Retirement System  
2025 Internal Audit Plan**



Audit Activity	Description	Planned Hours	Actual Hours	Projected Remaining Hours	Comments
<b>Internal Audit/Consulting/Planning/QAIP</b>		<b>4,100</b>	<b>2,350</b>	<b>1,840</b>	
<b>Internal Audits - Assurance</b>		<b>2,900</b>	<b>1,810</b>	<b>1,180</b>	
Employer (Orange County - Local Agency Formation Commission - LAFCO)	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.	80	80	-	Completed
Payroll for Retirees	Review the Finance Department's controls over the general ledger recording of monthly benefit payments.	100	100	-	Completed
Investment Compensation Review	Perform independent review of annual investment compensation calculations.	250	195	-	Completed
Alameda 2 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.	200	250		Completed
Finance contributions process	Review the Finance Department's controls over the recording of contributions in the general ledger.	350	50	300	Fieldwork in progress
Investment due diligence	Review due diligence procedures performed by the Investment department.	375	425	-	Completed
Service Credit Purchases	Review Member Services controls over Service Credit Purchase contracts and calculations.	375	50	325	Fieldwork in progress
Continuous Audit - Final Average Salary (FAS) Calculation	Continuous audit of FAS calculations. Sample quarter TBD.		-		Postponed to 2026 Audit Plan due to personnel changes on the IA team
Employer (County of Orange - District Attorney)	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.		25		Postponed to 2026 Audit Plan due to personnel changes on the IA team
Employer (Orange County Sanitation District)	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.	375	395	-	Completed
Employer (Orange County Cemetery District)	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.	375	15	360	Last audited in 2020

**Orange County Employees Retirement System  
2025 Internal Audit Plan**

Audit Activity	Description	Planned Hours	Actual Hours	Projected Remaining Hours	Comments
IT Info Sec Audit	Perform an independent assessment of Information Security's controls	160	25	135	Fieldwork in progress
Intenal Audit - Management Action Plan Follow-up	Action Plan Follow-up - Perform MAP follow-ups with management	260	200	60	Ongoing review of implemented MAPs from completed audits
<b>Internal Audits - Consulting</b>		<b>400</b>	<b>340</b>	<b>60</b>	
Consulting/Ad-hoc projects	Open for any ad-hoc project TBD	400	340	60	Includes time to assist with ACFR, management or committee requests
<b>Internal Audits - Planning</b>		<b>500</b>	<b>0</b>	<b>500</b>	
Annual Audit Planning	Review and update Risk and Control Matrix.	200	-	200	
	Annual preparation of the Audit Plan, updates to the current Audit Plan.	300	-	300	
<b>Internal Audits - Quality Assurance and Improvement Program</b>		<b>300</b>	<b>200</b>	<b>100</b>	
Quality Assurance and Improvement Program	IA Quality Review- Self Assessment - Internal Quality Assurance and Improvement Program (QAIP)	300	200	100	Implement IIA's new Global Standards with our QAIP program
<b>Vision and Values</b>		<b>90</b>	<b>75</b>	<b>15</b>	
	Vision and Values Committee (Internal OCERS Committee)	90	75	15	
<b>Board, AC, OCERS Executive Meetings</b>		<b>563</b>	<b>421</b>	<b>142</b>	
	Board meetings, Audit Committee, Personnel Committee, Governance Committee, Executive meeting, Strategic Planning	450	332	118	-
	Weekly meetings with CEO	50	38	12	-
	Monthly meeting with Audit Committee Chair	63	50	13	-
<b>General admin time</b>		<b>600</b>	<b>485</b>	<b>115</b>	
	General admin time	600	485	115	13% of total hours
<b>Leave (Holiday/Annual) and Training</b>		<b>1,004</b>	<b>743</b>	<b>261</b>	
	Holidays (12 days), Annual Leave (15 days)	764	565	199	-
	Training and Continuing Education	240	179	61	-
<b>Grand Total Hours</b>		<b>6,357</b>	<b>4,074</b>	<b>2,373</b>	