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

AUDIT COMMITTEE MEETING
THURSDAY, FEBRUARY 26, 2026
9:00 A.M.
(AMENDED)

MEETING LOCATIONS
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA

88 BYRAM SHORE ROAD
GREENWICH, CT 06830

Members of the Committee
Adele Lopez Tagaloa, Chair
Shari Freidenrich, Vice Chair
Richard Oates, Board Member
Charles Packard, Board 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.

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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**

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2.   BOARD MEMBER STATEMENT REGARDING PARTICIPATION VIA ZOOM

Board Member Charles Packard will appear at this Committee meeting via teleconference pursuant to Gov. Code § 54953 from the following address, which is open to the public: 88 Byram Shore Road, Greenwich, CT 06830.

3.   PUBLIC COMMENTS

Members of the public who wish to provide comment during the meeting may do so by "raising your hand" in the Zoom app, or if joining by telephone, by pressing * 9 on your telephone keypad. Members of the public who participate in the meeting from the OCERS Boardroom and who wish to provide comment during the meeting may do so from the podium located in the OCERS Boardroom. When addressing the Committee, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

At this time, members of the public may comment on (1) matters <u>not</u> 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.

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

<u>**CONSENT AGENDA**</u>

C-1 AUDIT COMMITTEE MEETING MINUTES
        Audit Committee Meeting Minutes   December 9, 2025

        <u>Recommendation</u>: Approve the minutes.

<u>**ACTION ITEMS**</u>

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

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

A-2   CONSIDERATION OF 2026 RISK ASSESSMENT AND AUDIT PLAN
          Presentation by Philip Lam, Director of Internal Audit

          <u>Recommendation:</u> Approve the 2026 Risk Assessment and Audit Plan.

A-3   AUDIT REPORT - SERVICE CREDIT PURCHASE AUDIT
          Presentation by Philip Lam, Director of Internal Audit

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Recommendation: Receive and file.

A-4   AUDIT REPORT – ORANGE COUNTY CEMETERY DISTRICT EMPLOYER AUDIT
Presentation by Philip Lam, Director of Internal Audit

Recommendation: Receive and file.

INFORMATION ITEMS

I-1   SUPPORTING FAMILIES AFTER A MEMBER'S PASSING: NEW SURVIVOR GUIDANCE BROCHURE
Presentation by Mary-Joy Coburn, Director of Communications

I-2   UPDATE ON THE OCERS COMPLIANCE PROGRAM
Presentation by Esther Hong, Compliance Officer

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

R-1   MANAGEMENT ACTION PLAN VERIFICATION REPORT
Written Report

R-2   AUDIT COMMITTEE REVIEW OF ACTIVITIES
Written Report

R-3   REPORTING OF INTERNAL AUDIT KEY PERFORMANCE INDICATORS
Written Report

COMMITTEE MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/COUNSEL/STAFF COMMENTS

ADJOURNMENT

NOTICE OF NEXT MEETINGS

REGULAR BOARD MEETING
MONDAY, MARCH 16, 2026
9:30 A.M.

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

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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 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, DECEMBER 9, 2025
9:30 A.M.

MINUTES

OPEN SESSION

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

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present:	Adele Lopez Tagaloa, 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; Darren Dang, Chief Technology Officer; Manuel Serpa, General Counsel; Jeff Lamberson, Director of Member Services (via Zoom); Philip Lam, Director of Internal Audit; Jennifer Reyes, Director of Finance; Alex McDowell, Sr. Internal Auditor; Jenny Davey, Internal Auditor; Megan Cortez, Member Services Manager; Olga Gomez, Retirement Contribution Reconciliation Specialist; Michelle Pak, Audio Visual Technician; Marielle Horst, Recording Secretary.
Absent:	Shari Freidenrich, Vice Chair

PUBLIC COMMENT
None.

CONSENT AGENDA

C-1   APPROVE AUDIT COMMITTEE MEETING MINUTES

   Audit Committee Meeting Minutes   October 6, 2025

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

The motion passed **unanimously**.

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

ACTION ITEMS

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

None.

A-2   AUDIT REPORT - FINANCE CONTRIBUTIONS
Presentation by Philip Lam, Director of Internal Audit

   Recommendation: Receive and file.

Mr. Lam presented the Audit Report and noted one observation concerning the review process for system changes. Management agreed to implement an additional review using a new activity report.

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

The motion passed **unanimously.**

A-3   DEATH MATCH PROCESS REVIEW
Presentation by Philip Lam, Director of Internal Audit

   Recommendation: Receive and file.

Mr. Lam reviewed the series of events that led to the discovery of issues with the Death Match Vendor. Since the discovery, an additional vendor has been engaged. The Audit Team reviewed the Member Services department procedures and initiated outreach to other agencies to confirm best practices.

Mr. Delaney recognized Ms. Gomez for her exceptional performance and critical thinking, as well as Mr. Lamberson for determining that the issue was systemic with the vendor. The Audit Committee expressed appreciation to staff for their efforts, and Chair Lopez Tagaloa directed Mr. Lam to incorporate the Death Match Review process into future audits.

The Committee inquired about the possibility of recovering funds, and Mr. Lamberson confirmed that recovery efforts are expected to be successful. Mr. Delaney informed the committee that an RFP for death match services is forthcoming and that new vendors will be vetted as part of the process.

Chair Lopez Tagaloa requested that the OCERS website be updated to include beneficiary and survivor information on the "Contact Us" page. Mr. Kim confirmed that this information is available on the website.

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

The motion passed **unanimously.**

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A-4   CONSIDERATION OF REVISED 2025 AUDIT PLAN
Presentation by Philip Lam, Director of Internal Audit

<u>**Recommendation:**</u> Approve recommended changes.

Mr. Lam reviewed the revised audit plan, noting two audits from the 2025 plan have been postponed to early 2026 due to staffing changes. Mr. Packard inquired whether the department is adequately staffed, and Mr. Lam confirmed that it is.

A **MOTION** was made by Ms. Barriga, **seconded** by Mr. Packard, to receive and file.

The motion passed **unanimously.**

INFORMATION ITEM

I-1   UPDATE ON THE OCERS COMPLIANCE PROGRAM
Presentation by Manuel Serpa, General Counsel

Mr. Serpa provided the compliance program update and noted that Ms. Hong is currently attending a training session. A statement from Ms. Hong was read to the Audit Committee.

The Compliance Activity Report included the status of Risk Assessment, AI Risk, Operational Risk Management, Training and Awareness, Ethics Training, Observations Management Program, Quarterly Compliance and Internal Audit Touchpoints, Control Monitoring, and Compliance Reporting.

Mr. Packard expressed that he would like Ms. Hong to attend conferences to enhance networking opportunities. Mr. Serpa confirmed that Ms. Hong is presently attending the most significant conference in the field. Additionally, AI risk assessment has been identified as a priority in her training.

WRITTEN REPORTS

R-1   MANAGEMENT ACTION PLAN VERIFICATION REPORT
Written Report

R-2   STATUS UPDATE OF 2025 AUDIT PLAN
Written Report

The committee adjourned to closed session at 10:51 a.m.

CLOSED SESSION

E-1   PUBLIC EMPLOYEE PERFORMANCE EVALUATION (GOVERNMENT CODE §54957(b))
Title: Director of Internal Audit

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

> Adjourn pursuant to Government Code section 54957(b) to evaluate the performance of the Director of Internal Audit
>
> **Recommendation:** Take appropriate action.

The committee reconvened from closed session at 11:09 a.m.

Mr. Serpa reported that no reportable action was taken during the closed session.

COMMITTEE MEMBER COMMENTS
Chair Lopez Tagaloa expressed appreciation to Ms. Barriga for her service on the Audit Committee.

CHIEF EXECUTIVE OFFICER COMMENTS
None.

STAFF COMMENTS
Mr. Horst reviewed the 2026 calendar with the Audit Committee to identify upcoming meeting dates. Tentative dates were selected, subject to confirmation of Ms. Freidenrich's availability.

ADJOURNMENT

Chair Lopez Tagaloa adjourned the meeting at 11:10 a.m.

Submitted by: Submitted by: Approved by:

_____   _____   _____
Philip Lam,   Steve Delaney,   Adele Lopez Tagaloa,
Committee Liaison   Secretary to the Board   Chairperson

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Memorandum

DATE: February 26, 2026

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **CONSIDERATION OF THE 2026 RISK ASSESSMENT AND AUDIT PLAN**

Recommendation

Approve the 2026 Risk Assessment and Audit Plan.

Background/Discussion

Attached are Internal Audit's 2026 Risk Assessment and Audit Plan. The projects include:

1st half of 2026

- <u>Finalizing testing and audit reports relating to the prior year Audit Plan:</u>
    - Employer Audit – Orange County Cemetery District
    - Service Credit Purchase Audit

- <u>Employer Audit – Orange County District Attorney:</u>
    - 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.
    - First time audit

- <u>Final Average Salary (FAS) Benefit Calculation Audit:</u>
    - Annual audit of the FAS calculations performed by the Member Services department.

- <u>Employer Audit – San Juan Capistrano:</u>
    - Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.
    - Last audited in 2017. This was on the 2024 Audit Plan but was postponed due to San Juan Capistrano implementing a new payroll system.

- <u>Disability Process Audit:</u>
    - Audit of the key controls in the application and benefit calculation process performed by the Disability team.
    - First time audit

Memorandum

2nd half of 2026

- Investment Accounting and Valuation Audit:
    - Review the Finance Department's controls over investment accounting and valuation.
    - Last audited in 2020

- Public Equity Consultant Audit:
    - Review OCERS' public equity consultant, Meketa's, operating controls that monitor the completeness and accuracy of OCERS' public equity investment transactions, fees, and Investment Committee (IC) reporting.
    - Scope will include OCERS' Investment Division controls related to the review of Meketa's IC meeting materials for reasonableness.
    - First time audit

- Death Match Process Audit:
    - Audit of Member Services' controls over the entire Death Match process with a focus on the implementation of the recommendations made during the Death Match Review in 2025.
    - Last audited in 2016. A review of the process was performed in 2025.

Information Technology and Security Audit during 2026

- Robotic Process Automation (RPA) audit:
    - Audit the design effectiveness of the RPA control environment, including the RPA bots designed and implemented by OCERS.
    - The audit will focus on the controls governing the development and operation of the bots, while also considering the data and the environment in which the RPA bots operate.

On-going throughout 2026 and beyond

- Pension Administration System (PAS) project review:
    - System Development Life Cycle review of the processes, controls, and documentation used to plan, create, test, and deploy the PAS system.
    - Goal is to ensure that the PAS is developed securely, efficiently, within budget, and in compliance with internal policies, procedures, and best practices.

- Management Action Plan Verification: Confirm management action plans from prior audits have been implemented.

Memorandum

Submitted by:

PL - Approved

Philip Lam
Director of Internal Audit

Orange County Employees Retirement System
2026 Internal Audit Plan

2026 Audit Plan Hours

- Internal Audit/Consulting Projects (70%)
- Board, Audit Committee, Exec Meetings (8%)
- Leave and Training (16%)
- General Administration (6%)

Audit Activity	Description	Planned Hours	Comments
Internal Audit/Consulting/Planning/QAIP		**3,725**	
Internal Audits - Assurance		**3,200**	
Employer (Orange County Cemetary 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.	50	Carryover from 2025
Service Credit Purchases	Review Member Services controls over Service Credit Purchase contracts and calculations.	100	Carryover from 2025
Investment Accounting and Valuation Audit	Review the Finance Department's controls over the recording of investment accounting and valuation.	350	Last audited in 2020
Public Equity Consultant (Meketa) Audit	Review OCERS' public equity consultant, Meketa's, operating controls that monitor the completeness and accuracy of OCERS' public equity investment transactions, fees, and Investment Committee (IC) reporting.	350	First time audit
Death Match Process Audit	Audit of Member Services' controls over the entire Death Match process with a focus on the implementation of the recommendations made during the Death Match Review in 2025.	350	Last audited in 2016. A review of the process was performed in 2025.
Final Average Salary (FAS) Calculation Audit	Annual audit of FAS calculations.	350	
Employer (County of Orange - District Attorney) Audit	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	350	First time audit
Employer (San Juan Capistrano) Audit	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	350	Last audited in 2017. This was on the 2024 Audit Plan but was postponed due to San Juan Capistrano implementing a new payroll system.

Orange County Employees Retirement System
2026 Internal Audit Plan

Audit Activity	Description	Planned Hours	Comments
Disability Process Audit	Audit of the key controls in the application and benefit calculation process performed by the Disability team.	350	First time audit
Pension Administration System (PAS) Project Review	System Development Life Cycle review of the processes, controls, and documentation used to plan, create, test, and deploy the PAS system. Goal is to ensure that the PAS is developed securely, efficiently, within budget, and in compliance with internal policies, procedures, and best practices.	350	First time review
Robotic Process Automation (RPA) audit	Audit the design effectiveness of the RPA control environment, including the RPA bots designed and implemented by OCERS. The audit will focus on the controls governing the development and operation of the bots, while also considering the data and the environment in which the RPA bots operate.	150	Co-sourced audit with IT audit vendor

Orange County Employees Retirement System
2026 Internal Audit Plan

Audit Activity	Description	Planned Hours	Comments
Intenal Audit - Management Action Plan Follow-up	Action Plan Follow-up - Perform MAP follow-ups with management	100	Ongoing review of implemented MAPs from completed audits
Internal Audits - Consulting		**200**	
Consulting/Ad-hoc projects	Open for any ad-hoc project TBD	200	Includes time to assist with ACFR, management or committee requests
Internal Audits - Planning		**275**	
Annual Audit Planning	Review and update Risk and Control Matrix.	125	Update throughout 2026
	Annual preparation of the Audit Plan, updates to the current Audit Plan.	150	2026 Audit Plan to be presented for approval in early 1st quarter 2026 AC meeting
Internal Audits - Quality Assurance and Improvement Program		**50**	
Quality Assurance and Improvement Program	IA Quality Review- Self Assessment - Internal Quality Assurance and Improvement Program (QAIP)	50	Implement IIA's Global Standards with our QAIP program
Board, AC, OCERS Executive Meetings		**425**	
	Board meetings, Audit Committee, Personnel Committee, Governance Committee, Executive meeting, Strategic Planning	300	-
	Weekly meetings with CEO	65	-
	Monthly meeting with Audit Committee Chair	60	-
General admin time		**300**	
	General admin time	300	5% of total hours
Leave (Holiday/Annual) and Training		**830**	
	Holidays (12 days), Annual Leave (15 days)	648	-
	Training and Continuing Education	182	-
	Grand Total Hours	**5,280**	

Internal Audit 2026 Risk Assessment Matrix

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

2026 Audit Topic

Department	Auditable Process	Materiality / Financial Impact / Compliance	Strategic / Operational Impact	Change / Stability	Complexity of Operations or Regulations	Political / Reputation	Last Audit - Time and Results	Average Risk Ranking	Last Audited	Rotational Cycle
0010 - EXECUTIVE	Pension Administration System Implementation	5	5	5	5	5	5	5.0		3
0010 - EXECUTIVE	Automation (AI/RPA) Governance	5	5	5	5	4	5	4.8		1
0011 - INVESTMENTS	Due diligence	5	5	5	5	5	3	4.7	10/6/2025	2
0001 - BOARD	Governance	5	5	3	4	5	5	4.5		3
0020 - DISABILITY	Disability process	4	4	5	4	5	5	4.5		3
0080 - INTERNAL AUDIT	Action plan follow-up	5	5	5	3	4	5	4.5		1
0040 - FINANCE	Investment accounting and valuation	5	5	4	4	4	4	4.3	11/23/2020	3
0040 - FINANCE	Budgeting	5	4	5	3	4	5	4.3		3
0070 - INFORMATION TECHNOLOGY	Network Security	5	5	5	5	5	1	4.3	1/19/2024	3
0010 - EXECUTIVE	Acturial extract	5	5	3	4	5	4	4.3	10/13/2020	3
0030 - MEMBER SERVICES	COLA adjustments	5	4	3	5	4	5	4.3		4
0030 - MEMBER SERVICES	Final Average Salary Benefit Calculation	5	5	5	5	5	1	4.3	12/12/2024	1
0030 - MEMBER SERVICES	Contribution transmittals Plan Sponsors (County, including eligibility, pension spiking) - OC District Attorney	5	5	3	5	5	3	4.3	First time audit for OC District Attorney	2
0030 - MEMBER SERVICES	Contribution transmittals Plan Sponsors (All other active plan sponsors, including eligibility, pension spiking) - OC Sanitation District - OC Cemetery District	5	5	3	4	5	4	4.3	OC SD: 5/26/2020 OC CD: 2/26/2026	3
0040 - FINANCE	Financial reporting	5	4	4	4	4	4	4.2	3/26/2020	3
0065 - OPERATIONS SUPPORT SERVICES	Procurement	5	4	5	4	5	2	4.2	10/3/2022	3
0040 - FINANCE	General Ledger	5	5	5	4	3	3	4.2	10/6/2025	3
0010 - EXECUTIVE	Business continuity / disaster recovery	5	5	4	5	5	1	4.2	10/9/2024	4
0040 - FINANCE	Payroll for retirees	5	5	4	5	5	1	4.2	2/11/2025	1
0011 - INVESTMENTS	Public equity consultant (Meketa)audit	5	5	3	4	5	5	4.2	First time audit	3
0011 - INVESTMENTS	Investment reconciliations	5	5	3	4	5	3	4.2	11/23/2020	3
0030 - MEMBER SERVICES	1099 reporting	5	3	4	4	4	5	4.2		4
0090 - INFORMATION SECURITY	Data Privacy and Protection	5	5	1	4	5	5	4.2		3

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Internal Audit 2026 Risk Assessment Matrix

Department	Auditable Process	Materiality / Financial Impact / Compliance	Strategic / Operational Impact	Change / Stability	Complexity of Operations or Regulations	Political / Reputation	Last Audit - Time and Results	Average Risk Ranking	Last Audited	Rotational Cycle
0090 - INFORMATION SECURITY	Information Security	5	5	5	4	5	1	4.2	10/9/2024	3
0030 - MEMBER SERVICES	Transmittal error clearing	5	5	5	5	4	1	4.2	3/28/2024	4
0020 - LEGAL	Compliance Department	5	4	4	3	4	5	4.2		3
0020 - LEGAL	Compliance Program	5	4	4	3	4	5	4.2		3
0065 - OPERATIONS SUPPORT SERVICES	HQ management	5	3	5	3	4	5	4.2		3
0060 - HUMAN RESOURCES	HR Processes	2	5	4	4	4	5	4.0		4
0070 - INFORMATION TECHNOLOGY	Data security 3rd party vendors	5	5	5	3	5	1	4.0	1/19/2024	4
0020 - LEGAL	Form 700 Compliance review	3	4	4	3	5	5	4.0		4
0030 - MEMBER SERVICES	Benefit setup (including eligibility, pension spiking)	5	5	3	5	5	1	4.0	12/12/2024	1
0011 - INVESTMENTS	Investment consultant review	5	5	2	4	5	3	4.0	10/4/2021	3
0030 - MEMBER SERVICES	Death matching process	3	3	4	4	5	5	4.0	6/14/2016	5
0030 - MEMBER SERVICES	Survivor claims	5	5	3	4	4	3	4.0	10/4/2021	3
0030 - MEMBER SERVICES	Service Credit Purchases	3	3	5	4	4	5	4.0	2/26/2026	5
0070 - INFORMATION TECHNOLOGY	IT Governance, Strategy, and Planning	3	5	5	5	3	3	4.0	11/30/2020	4
0070 - INFORMATION TECHNOLOGY	IT Vendor / Third Party Management	5	5	4	4	5	1	4.0	10/9/2024	4
0090 - INFORMATION SECURITY	Event, Incident, and Problem Management	5	5	4	5	4	1	4.0	10/19/2024	4
0070 - INFORMATION TECHNOLOGY	Data Retention and Backup	5	5	5	3	5	1	4.0	10/9/2024	5
0010 - EXECUTIVE	Application Implementation	5	5	5	5	3	1	4.0	1/1/2024	3
0040 - FINANCE	Contributions - member, employer	5	5	4	4	4	1	3.8	10/6/2025	3
0010 - EXECUTIVE	Ethics Policy	5	5	3	3	5	2	3.8	10/11/2023	4
0065 - OPERATIONS SUPPORT SERVICES	Contract Management (e.g. Vendor contract compliance)	5	5	3	3	5	2	3.8	10/3/2022	4
0011 - INVESTMENTS	Asset allocation/rebalancing - Governance	5	5	4	3	5	1	3.8	3/28/2024	2
0011 - INVESTMENTS	Cash/Wire Processing	5	5	4	3	4	2	3.8	3/8/2024	3
0011 - INVESTMENTS	Investment manager fee reporting	5	4	3	4	5	2	3.8	3/30/2022	3
0030 - MEMBER SERVICES	Contribution transmittals Plan Sponsors (Superior Court)	4	5	3	4	5	2	3.8	4/5/2023	3
0015 - COMMUNICATIONS	External media/communication oversight	3	4	3	3	5	5	3.8		1
0060 - HUMAN RESOURCES	Succession Planning	2	4	3	3	5	5	3.7		4
0040 - FINANCE	Cash management	5	5	3	4	3	2	3.7	1/27/2022	3
0065 - OPERATIONS SUPPORT SERVICES	Physical security	2	4	3	3	5	5	3.7		4

Internal Audit 2026 Risk Assessment Matrix

Department	Auditable Process	Materiality / Financial Impact / Compliance	Strategic / Operational Impact	Change / Stability	Complexity of Operations or Regulations	Political / Reputation	Last Audit - Time and Results	Average Risk Ranking	Last Audited	Rotational Cycle
0020 - LEGAL	Record management and retention	3	5	5	3	4	2	3.7	10/11/2023	1
0030 - MEMBER SERVICES	IRS 415 benefit payment limits	3	3	3	3	5	5	3.7		5
0030 - MEMBER SERVICES	Contribution Transmittals Plan Sponsors	4	5	3	4	5	1	3.7	2/26/2026	3
0080 - INTERNAL AUDIT	QAIP (Internal)	1	3	5	3	5	5	3.7		1
0030 - MEMBER SERVICES	Contribution transmittals Plan Sponsors (OCTA)	4	5	3	4	5	1	3.7	6/6/2024	3
0060 - HUMAN RESOURCES	Hiring	2	5	4	4	4	2	3.5	10/11/2023	4
0011 - INVESTMENTS	Personal Trading Policy compliance	2	3	4	3	4	5	3.5		5
0030 - MEMBER SERVICES	Reciprocity	3	3	3	4	3	5	3.5	8/2/2017	5
0070 - INFORMATION TECHNOLOGY	Software Development Life Cycle / Change Management	4	4	2	4	3	4	3.5	12/30/2019	5
0011 - INVESTMENTS	Securities Lending fees	2	5	3	4	4	3	3.5	12/14/2020	5
0030 - MEMBER SERVICES	Lump sum payments (death benefits, refunds)	4	3	3	4	4	2	3.3	10/4/2021	4
0030 - MEMBER SERVICES	Member Enrollment	3	5	3	3	4	2	3.3	10/13/2023	4
0030 - MEMBER SERVICES	IRS 401 contribution limits	3	3	3	3	3	5	3.3		5
0070 - INFORMATION TECHNOLOGY	IT Operations	3	4	2	3	4	4	3.3	12/30/2025	5
0030 - MEMBER SERVICES	Interest posting / crediting	5	4	2	3	2	3	3.2	6/6/2019	5
0030 - MEMBER SERVICES	Dependent eligibility	4	4	2	2	4	3	3.2	10/4/2021	5
0030 - MEMBER SERVICES	Contribution transmittals Plan Sponsors (All other active plan sponsors)	4	5	3	3	3	1	3.2	12/12/2024	4
0070 - INFORMATION TECHNOLOGY	IT Asset Management	3	5	4	4	2	1	3.2	10/9/2024	5
0070 - INFORMATION TECHNOLOGY	IT Availability and Capacity	3	4	2	2	3	5	3.2		5
0040 - FINANCE	Custodian Bank Fees	2	3	4	2	3	5	3.2		5
0040 - FINANCE	Accounts Payable	3	3	3	4	3	2	3.0	3/28/2024	5
0030 - MEMBER SERVICES	Member Data Maintenance	2	4	2	3	5	2	3.0	6/1/2023	5
0030 - MEMBER SERVICES	Domestic Relations Order (DRO)	2	3	2	3	2	5	2.8		5
0070 - INFORMATION TECHNOLOGY	Knowledge Management	2	3	5	4	1	1	2.7	10/9/2024	5
0040 - FINANCE	Travel expenses	2	1	2	1	5	3	2.3	12/6/2017	5
0030 - MEMBER SERVICES	Retiree Rehires (PEPRA)	3	2	2	1	5	1	2.3	2/26/2026	5

Internal Audit 2026 Risk Assessment Matrix

Department	Auditable Process	Materiality / Financial Impact / Compliance	Strategic / Operational Impact	Change / Stability	Complexity of Operations or Regulations	Political / Reputation	Last Audit - Time and Results	Average Risk Ranking	Last Audited	Rotational Cycle
0080 - INTERNAL AUDIT	QAIP (External)	1	3	1	3	5	1	2.3	1/19/2024	4

Risk Assessment Metthodology:

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

1. Materiality / Financial Impact / Compliance – The magnitude of financial exposure, the degree of regulatory oversight, possible financial penalties.

2. Strategic / Operational Impact – The significance of this process to OCERS' strategic success, impact of process disruption.

3. Change / Stability – How much the process has been altered and the change of personnel carrying out the process.

4. Complexity of Operations or Regulations – The number of individuals, entities, and processes involved, and the degree to which professional judgment or technical expertise is applied.

5. Political / Reputation – The degree of public interest and awareness, the visibility of the process to the media.

6. Last Audit: Time and Results – The length of time since the last audit or review was conducted and the results of that audit or review.

Supplementary Information

February 26, 2026, Audit Committee Meeting

1. Commonly Used Acronyms

The following are some commonly used acronyms used throughout OCERS that are applicable to the materials being presented to the Audit Committee:

Acronym	Meaning
FAS	Final Average Salary
IC	Investment Committee
RPA	Robotic Process Automation
PAS	Pension Administration System
SCP	Service Credit Purchases
CERL	County Employees Retirement Law
BPD	Business Process Document
MRP	Master Repository Project
MAP	Management Action Plan
CALAPRS	California Association of Public Retirement Systems

2. Master Repository Project and Business Rules Project Timeline

The following timeline is intended to provide some insight into the projects discussed as part of Observation #1 in the Service Credit Purchases Audit Report:

MRP & Business Rules Project Timeline

November 1, 2021 — MRP Work Begins
- MRP initiative officially in progress,
- Long project history, confirmed start date
- Ongoing development since this point

Pre-July 2025 Preparation Rules — Business Rules Prep Work
- Preliminary groundwork may have occurred
- Informal preparation before formal launch
- Not considered official start date

July 7, 2025 — Business Rules Process Official Launch
- Formal start with current project team
- Recognized official start date for Business Rules
- Structured execution begins

Present — Active Development & Implementation
- MRP continues evolving
- Business Rules process underway
- Timeline confirmed by leadership

2021 — MRP Begins 2021 | Business Rules Prep Work Pre-July 2025 | Official Launch July 7, 2025 | Active Execution Present

Internal Audit

Memorandum

DATE: February 26, 2026

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **AUDIT REPORT – SERVICE CREDIT PURCHASE AUDIT**

Recommendation

Receive and file.

Background/Discussion

Internal Audit performed an audit of the Service Credit Purchase Process.

There were two observations identified in this report: one related to opportunities to improve the documentation between OCERS business rules and existing Business Process Documents (BPD), and the other related to areas in the BPD methodology for medical leave that should be re-evaluated for best practices or to include additional steps for accuracy.

Submitted by:

PL - Approved

_____

Philip Lam
Director of Internal Audit

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

Service Credit Purchases Process Audit

Internal Audit Department
Audit Report

February 26, 2026

OCERS Internal Audit
Service Credit Purchases Process Audit
February 26, 2026

Table of Contents

Audit Objective, Scope, and Methodology

The objective of this audit was to provide an independent review of the design and operating effectiveness of controls management has in place over the Service Credit Purchases (SCP) process to conform to the County Employees Retirement Law of 1937 (CERL) and the Member Services Customer Service Policy (Policy).

This process was last audited in 2016.

The scope of the audit included SCP requests from January 2024 through September 2025. The scope was limited to January 1, 2024, to isolate SCP requests that occurred after the implementation of an updated SCP process in the department.

The scope included 1,166 SCP requests representing five SCP types: medical, excluded, previous, public, and military. To ensure an adequate review of both regular leave of absence and worker's comp, medical leave was broken into two categories for statistical purposes. Internal Audit's methodology was to:

- Perform an analysis that identified the percentage of SCP types in the population within the scope of the audit
- Judgmentally select a sample of 40 SCP requests that represent the percentage of SCP types within the population
- Review the CERL, Member Services Department Policies and procedures related to service credit purchases
- Identify the sections of the CERL the board had adopted and were applicable to OCERS
- Walk through the most common SCP types with management to gain understanding
- Determine if OCERS interpretation of CERL as it relates to SCPs was documented and supported
- Determine if appropriate management oversight was applied to the SCP process
- Recalculate the completed SCP calculations in the sample to confirm accuracy
- Determine if Member Services calculations included all support necessary as identified by CERL and the Member Services Department procedures
- Determine if SCP contracts were entered into the V3 PAS accurately and processed timely
- Determine if SCP payments were posted and service credit was applied to the members' accounts accurately

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: *Opportunities for Improvement*

Internal Audit concludes that the existing controls over the Service Credit Purchases process are mostly operating effectively, but Management should document the connection between OCERS business rules regarding SCP calculations to their procedures and update their procedures to reflect improved business practices. Two important observations affecting the overall effectiveness of these controls are summarized below. For observation details and management's response, please refer to page four.

Priority Observations	Priority Observations
0	**None**
Important Observations	**Important Observations**
2	1. **Member Services has not documented the connection between OCERS business rules and their existing Service Credit Purchases (SCP) Business Process Document (BPD), creating an area where County Employees Retirement Law (CERL) interpretation and procedural guidance is not fully documented.** 2. **There were three areas in the SCP BPD methodology for Medical Leave that should be re-evaluated for best practices or include additional steps for accuracy.**

Background

As of February 2026, OCERS has 32,895 active and deferred members. Those members who meet eligibility criteria defined in the California government code sections 31450 through 31899.10 of the County Employees Retirement Law (CERL) have the option to purchase service credit to enhance their retirement benefits. OCERS refers to these purchases as Service Credit Purchases (SCPs) or Buy Backs.

There are five categories of SCPs OCERS allows: previous, excluded, medical and worker's compensation leave, public, and military. The criteria for eligibility and the calculation formula for each category are governed by CERL. On average, the SCP unit

Service Credit Purchases Process Audit   Page 2

receives 60 requests per month. Based on log information for 2024 and 2025, roughly 80% of SCPs are medical leave (including worker's comp) and excluded service.

A member may request to purchase service credit securely through the OCERS member portal online or by paper form submitted in-person or by fax, mail, or email if it contains a handwritten signature. Most forms are sent electronically via the member portal. In 2025, the department introduced an RPA bot to handle the initial receipt and logging of SCP applications from the member portal allowing staff to focus on higher-skilled work.

Distributed to: Members of the Audit Committee
S. Delaney, Chief Executive Officer
M. Murphy, Chief Investment Officer
M. Serpa, General Counsel
D. Kim, Asst. CEO of External Operations
B. Shott, Asst. CEO of Internal Operations
M. Adviento, Director of Member Services
G. Pel, Limited-Term Member Services Manager

Observation Details

Observations	Management Response/Action Plan
Important Observations:	
1. **Member Services has not documented the connection between OCERS business rules and their existing Service Credit Purchases (SCP) Business Process Document (BPD), creating an area where County Employees Retirement Law (CERL) interpretation and procedural guidance is not fully documented.** Given how frequently SCPs are processed, documenting OCERS's interpretation of sections within the CERL and incorporating that guidance into the SCP procedures would help ensure consistent and accurate calculations. Member Services Management has already begun the task of documenting and reaching out to the Legal department for opinions that are needed for the Horizon business rules project, and that document is currently in Legal review. The department is also reviewing their existing SCP BPD for the Master Repository Project (MRP). **Risk:** Undocumented business decisions involving sections of the CERL can lead to inconsistent interpretation, leaving OCERS vulnerable to lost institutional knowledge during staff turnover, contract calculation errors and challenges in defending historical practices, potential member inequities, or disputes over time.	**Action Plan:** As part of the Horizon (PAS) project, Member Services has developed approximately 70 detailed Service Credit Purchase (SCP) business rules defining eligibility criteria, calculation methodology, and data sources. These business rules reflect and formalize existing procedural guidance documented in the Service Credit Purchase Business Process Document (BPD). Member Services is finalizing documentation of the SCP business rules, which require Legal review as part of the documentation process. Legal has begun its review of SCP business rules that have been formally submitted as part of the PAS documentation process. Upon completion of Legal's review, any required clarifications regarding interpretation of the CERL will be incorporated into the SCP business rules and the Service Credit Purchase BPD, which is maintained as part of OCERS Master Repository Project (MRP), to ensure consistency with governing legislation, system configuration, and operational procedures. This effort will support accurate PAS configuration, promote consistency in SCP calculations, and mitigate risks associated with undocumented interpretations and staff turnover. **Responsible Party:** Mark Adviento, Director of Member Services **Completion Date:** June 30, 2026

Observation Details

Observations	Management Response/Action Plan
2. There were three areas in the SCP BPD methodology for Medical Leave that should be re-evaluated for best practices or include additional steps for accuracy. **a. An hourly rate used in an SCP calculation to determine earnable salary did not match the reported hourly rate because the SCP BPD instructs staff to not consider any salary increases when determining the contributions and interest due.** The SCP BPD states, "To calculate this amount (of contributions and interest that would have been contributed to the system had they not been on leave), the Benefit Technician uses the base salary the member was being paid when their leave began: any salary increases that may have occurred within the position while the member was on leave are not considered." Some members have employment contracts that indicate salary increases as of a certain date and the employer will apply that increase despite the member being on leave. These members would have a higher earnable salary than what is currently being used in the calculation due to this instruction. Following this rule for all employers could result in a loss of contributions when members purchase service credit	**Action Plan:** Member Services will obtain Legal review and confirmation regarding the proper application of relevant CERL provisions to SCP calculations, as they relate to the issues identified in this observation. Following receipt of Legal guidance, Member Services will update the SCP Business Process Document and related business rules as necessary to ensure alignment with Legal guidance. Staff training will be provided on any revised procedures to promote consistent and accurate application. **Responsible Party:** Mark Adviento, Director of Member Services **Completion Date:** June 30, 2026

Observation Details

Observations	Management Response/Action Plan
because their earnable salary will be calculated using a lower hourly rate. Internal Audit believes this is not in OCERS's best interest. If the most current hourly rate is reported through the transmittal, it should be considered in the calculation of earnable salary. **b. Contributions reported as paid in old transmittals converted to V3 were used in the SCP data sheets to calculate the contract amounts; however, the contributions paid displayed in the PAS did not always reflect the effective contribution rate paid when employer pickup arrangements were in place.** V3's SCP calculation includes subtracting contributions already reported as paid from expected contributions. This methodology assumes converted transmittals contain complete contribution information. However, during calculation testing fieldwork, it was observed that converted transmittals do not include the payment of employee contributions paid by the employer on behalf of the employee. The result is that members may be charged for contributions which were already paid by the employer.	

Observation Details

Observations	Management Response/Action Plan
While it is not incorrect to instruct staff to use part account history to calculate contributions due for SCP contracts, an exception should be made to address incomplete converted transmittal information. Since this concern was reported to Member Services during the audit, management has already begun designing and implementing new steps to their procedures. c. **When a Medical Leave SCP is for intermittent leave (a reduced work schedule instead of absence), the SCP contract may exceed the limit imposed by CERL.** For benefit calculations, it is Member Services' current business practice to assume one year equals a maximum of 2080 hours earnable. Member Services interpreted this to also mean a member is eligible to purchase up to 2080 hours. For Medical Leave SCPs, CERL gov. code §31646 states, "Credit shall not be received for any period of such an absence in excess of 12 consecutive months." According to Legal opinion received internally, the limit applies to the period of leave. By following Member Services' current business practice, members who were	

Observation Details

Observations	Management Response/Action Plan
on intermittent leave had SCP contracts that exceed the CERL limit of a leave of absence of 12 consecutive months. **Risk:** Under/overpaid contributions from following business practices that do not align with legislation and/or OCERS objectives. Potential legal disputes which could negatively impact OCERS's reputation.	

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 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 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

DATE: February 26, 2026

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **AUDIT REPORT – ORANGE COUNTY CEMETERY DISTRICT EMPLOYER AUDIT**

Recommendation

Receive and file.

Background/Discussion

Internal Audit performed an employer audit of the Orange County Cemetery District. The audit opinion was "Satisfactory" and no observations were noted.

Submitted by:

PL - Approved

_____

Philip Lam
Director of Internal Audit

ORANGE COUNTY CEMETERY DISTRICT EMPLOYER AUDIT

Internal Audit Department
Audit Report

Report Date: February 26, 2026

OCERS Internal Audit
Orange County Cemetery District
Employer Audit
February 26, 2026

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Audit Objective, Scope, and Methodology

The objective of this audit is to provide an independent review of the completeness and accuracy of Orange County Cemetery District's 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 Cemetery District's payroll data submitted to OCERS between January 1, 2023 and December 31, 2024 on a sample basis.

Internal Audit sampled 45 payroll transactions from OC Cemetery District's approximately 31,646 payroll transactions over the two-year period. Internal Audit's procedures included:

- Reviewed, on a sample basis, OC Cemetery District'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 Cemetery District's human resource records and publicly available pay schedules for completeness and accuracy.
- Recalculated contributions collected from OC Cemetery District to ensure that contributions were paid according to Segal contribution rates as approved by the OCERS' Board.
- Reconciled OC Cemetery District employee headcount from the payroll system against OCERS annual actuarial extract of members.
- Reviewed Member Affidavits for completeness.
- Reviewed OC Cemetery District'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 were no observations noted during our testing.

Priority Observations	Priority Observations
0	**None**
Important Observations	**Important Observations**
0	**None**

Background

The Orange County Cemetery District is an independent special district of Orange County whose mission is to provide affordable interment services for County residents and taxpayers and strives to maintain the beauty and dignity of the grounds while preserving their historical and cultural value for the benefit of all. The Orange County Cemetery District is governed by a Board of Trustees who have been appointed to serve four-year terms by the County of Orange Board of Supervisors.

OC Cemetery District and its employees contributed approximately $472,000 and $475,000 to the OCERS pension plan for the years ended December 31, 2023, and December 31, 2024, respectively.

OC Cemetery District was last audited in March of 2021 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 Cemetery District:

T. Deutsch, General Manager
M. Funk, Assistant General Manager

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.

Supporting Families After a Member's Passing

NEW SURVIVOR GUIDANCE BROCHURE

Presented by Mary–Joy Coburn
Director of Communications

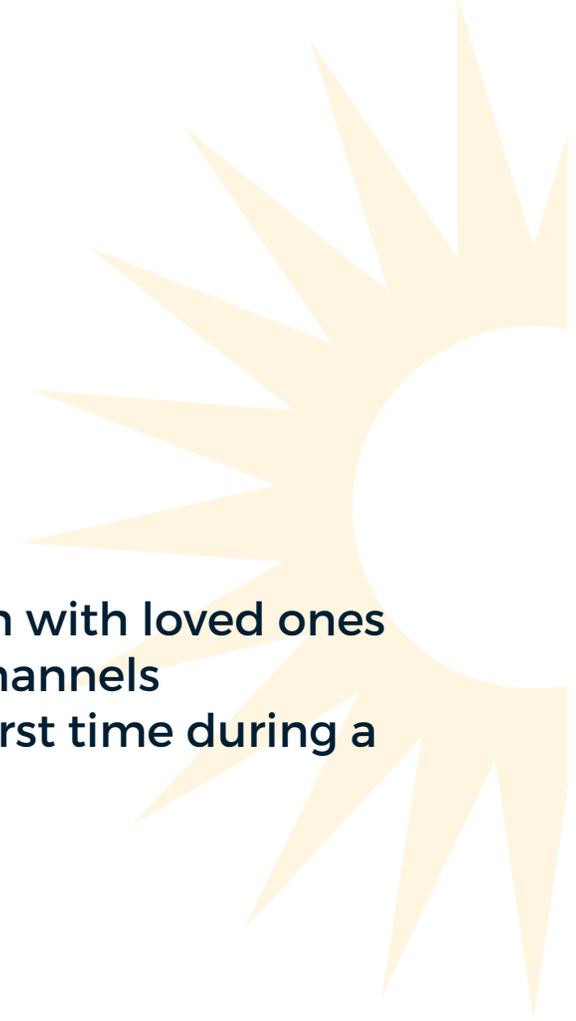# Supporting Families After a Member's Passing

Why this matters:
- The loss of a loved one is emotionally overwhelming
- Survivors often do not know who to contact or what to do first
- OCERS is frequently the first agency families engage with during grief
- Clear guidance reduces stress, confusion, and delays
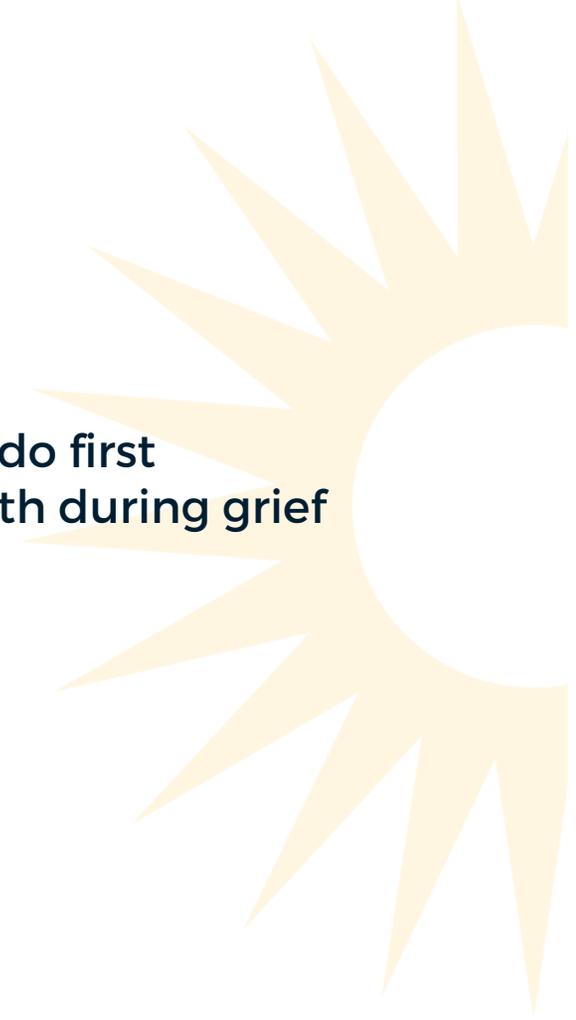
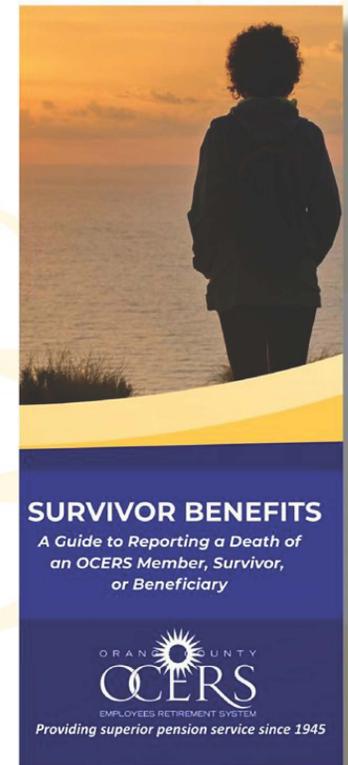# Supporting Families After a Member's Passing

Current Trend:
- Survivors often do not know:
  - Who to call at OCERS
  - What documents are needed
  - What benefits may be available
- Members may not proactively share benefit information with loved ones
- Information exists—but it is scattered across multiple channels
- Survivors are frequently engaging with OCERS for the first time during a crisis

Supporting Families After a Member's Passing

The Brochure:
- New OCERS Survivor & Beneficiary Brochure
- Plain-language, step-by-step guidance
- Centralizes reporting, contact, and documentation info
- Designed for people experiencing loss
- Available in print and digital formats

What the Brochure Covers

- Direct OCERS contact information
- Phone, address, hours of operation
- Online resources for survivor benefits and beneficiary changes
- Reassurance that OCERS is available to help

Clear, Actionable Guidance

Four Things to Keep in Mind When Reporting the Death of an OCERS Member, Survivor, or Beneficiary

When an OCERS member, survivor, or beneficiary passes away, please notify OCERS promptly so we can provide guidance and process any benefit adjustments.

Below are four key factors to keep in mind:

1 Report Promptly

Report a death to OCERS as soon as possible. Reporting promptly helps OCERS update records accurately and ensure that any benefits due to survivors are processed as quickly as possible.

Ways to report a death:
- **Phone:** (714) 558-6200
- **Mail:** Orange County Employees Retirement System (OCERS) P.O. Box 1229 Santa Ana, CA 92702
- **In Person:** 2223 E. Wellington Ave., Suite 100 Santa Ana, CA 92701
- **Online:** www.ocers.org/upon-death

2 Commonly Requested Documents

After your call, OCERS may request:
- Certified death certificate
- Marriage certificate or domestic partnership registration certificate
- Birth certificates or passports
- Birth certificates or adoption paperwork for eligible children
- Divorce decree or termination of domestic partnership documents
- Social Security Number (SSN) or Tax ID Number for beneficiaries, estate, or trust
- Photo identification for beneficiaries

3 Payable Benefits to Designated Beneficiary Depend on Several Factors

Benefits payable to the beneficiary will vary based on the member's employment or retirement status at the time of death.

- **Active Members:** Years of service, marital status, final average salary, employment contract, job classification, and eligibility of designated beneficiary
- **Retired Members:** Member's chosen retirement payment option, marital status, eligibility of designated beneficiary

Because of these factors, OCERS cannot determine what benefits are payable until all required documentation is received and reviewed. Lump-sum death benefits are typically issued within 60 days of all paperwork being submitted.

4 Keep Beneficiaries Current

Update your beneficiaries after major life events (marriage, divorce, child birth/adoption, or death of a named beneficiary). Updates can be made anytime through myOCERS: https://mss.ocers.org/

- Four clear actions:
1. Report promptly
2. Commonly requested documents
3. Benefits depend on several factors
4. Keep beneficiaries current

- Multiple reporting methods: phone, mail, in-person, online
- Clear expectations about documentation and timelines

www.OCERS.org

@myOCERS

How Members Will Receive the Brochure

Distribution:
- Pre-Retirement workshops
- Pre-retirement counseling
- Benefit appointments
- Member education, Outreach, & Benefits Fair events
- Digital version on OCERS website
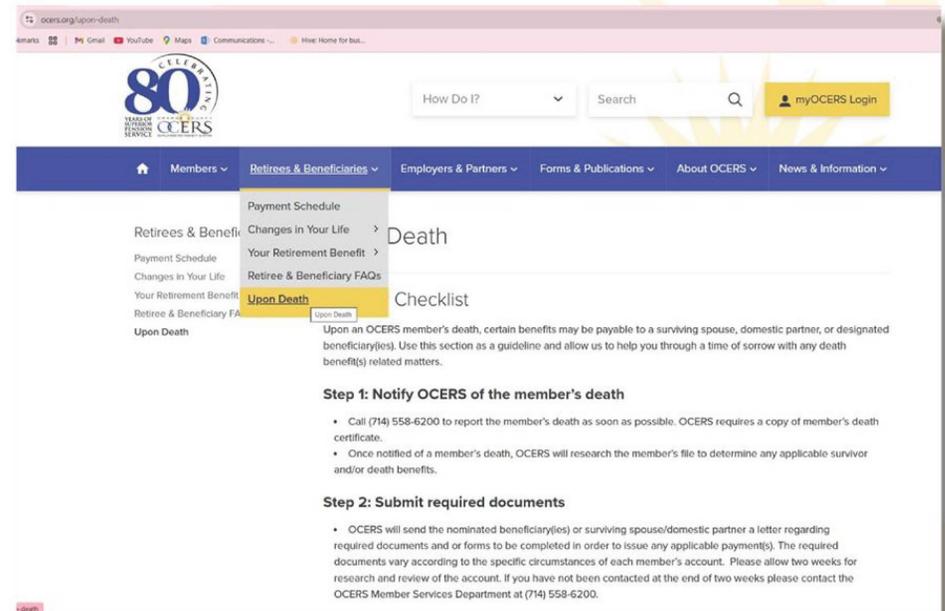
Cross-Department Collaboration

Team Effort:
- Communications Department
- Member Services (Death Desk Team) Department
- Legal Division
- Leadership Oversight

This brochure was developed collaboratively to ensure accuracy, clarity, and sensitivity.
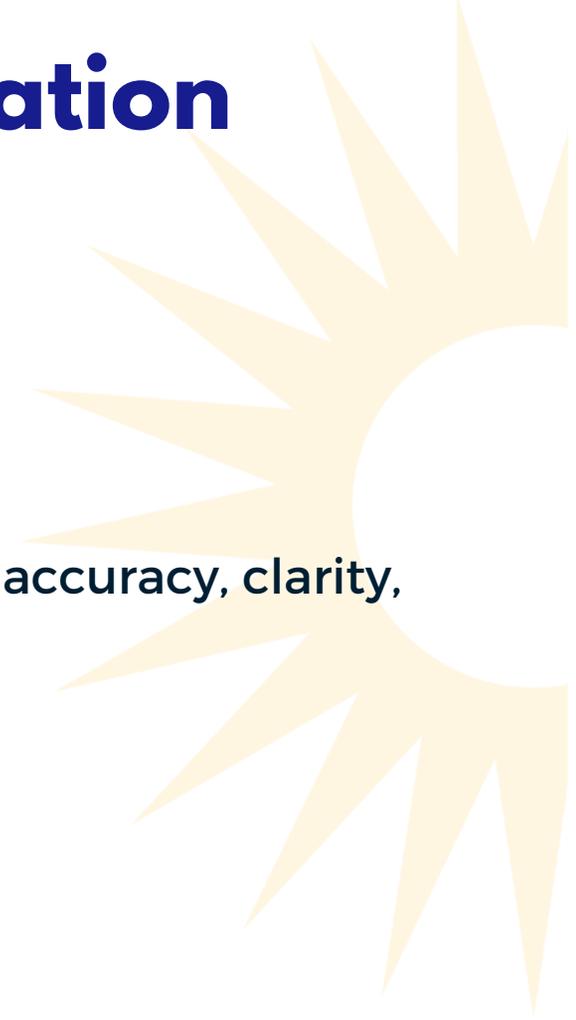
Outcomes We Expect

- Better-prepared beneficiaries
- Fewer distressed first contacts
- Clearer documentation readiness
- Improved survivor satisfaction
- Stronger trust in OCERS

What's Next

- Roll out brochure across more member education channels (video, social media, etc.)
- Evaluate survivor feedback
- Explore future expansion (dedicated Survivor Folder & Toolkit)

This brochure is phase one. This creates a foundation for expanding survivor preparedness resources over time.

This brochure ensures OCERS shows up for families not just with benefits, but with clarity, dignity, and care – when they need it the most.

Memorandum

DATE: February 26, 2026

TO: Members of the Audit Committee

FROM: Esther Hong, Compliance Officer

SUBJECT: **UPDATE ON THE OCERS COMPLIANCE PROGRAM**

Background

The purpose of this memorandum is to update the Audit Committee on the Compliance Department's activities. OCERS Compliance Officer Esther Hong will provide the committee with an overview of this material and will be available to answer questions about the compliance program.

Compliance is committed to facilitating an enterprise-wide risk management approach, consistent with the Compliance Program Charter, with an emphasis on directly supporting staff in managing legal and regulatory risks.

Compliance Activity

In addition to the activities summarized below, the Compliance Officer is preparing to chair the CALAPRS Compliance Roundtable scheduled in March. The CALAPRS Compliance Roundtable provides a collaborative forum for public pension compliance professionals to exchange insights, address emerging risks, and promote consistent, effective compliance practices across California retirement systems. Agenda items include guest speakers on topics such as artificial intelligence (AI) risk and impact assessment, compliance and internal audit alignment, a fireside chat with an industry expert, and facilitated roundtable discussions on current compliance topics.

We also updated the Procedure Lifecycle Program Document, which describes a standardized process for creating, revising, and updating OCERS procedures in the Master Repository Project. The document was shared with the executive team for feedback, and implementation will begin in April.

Compliance Program Elements
Risk Assessment
Risk assessments are designed to identify existing compliance controls and risk-mitigation efforts, enable risk prioritization, assist departments in clarifying compliance roles and responsibilities, ensure consistent risk management practices across OCERS, and provide early detection of compliance and ethics risks. The goal of these assessments is to analyze and inventory each department's existing compliance practices, identify areas where additional support or documentation may be needed, and determine how Compliance may assist.

The Compliance Officer has conducted a Compliance Assessment of the Communications department (attached). The overall compliance control environment within the Communications function is effective, with no material gaps identified. The risk assessment did, however, identify several opportunities to strengthen governance and oversight, including centralizing legal and regulatory materials, formalizing and updating key procedures, and expanding Compliance visibility into public records requests. Additional improvements are

recommended to clarify communication roles and enhance social media access controls, particularly around employee separations and credential management, to further reduce operational and compliance risk.

The tentative schedule for Compliance Assessments is to next analyze these departments:
- Finance
- Internal Audit
- Disability
- Operations and Support Services
- Executive
- Investments
- Member Services
- InfoSec
- Information Technology

Operational Risk Management Program

The Compliance Officer continues to advance the Operational Risk Management Program, with the risk database now fully transferred to the new SharePoint system. The Legal Staff Analyst works closely with the Compliance Officer to maintain the database and conducts biannual outreach to all departments to update the status of identified risks and mitigation activities, with the next review cycle scheduled for April. In parallel, the database is being reassessed and enhanced to provide more meaningful reporting, including clearer qualitative and quantitative risk measures. This initiative is overseen by the Compliance Officer, with the Legal Staff Analyst providing ongoing analytical and operational support.

Training and Awareness

Compliance is committed to delivering ongoing awareness activities that educate and empower employees to identify risks, ask questions, and report concerns without hesitation or fear of retaliation.

The Compliance Officer will present to the OCERS Mid-Level Leadership Group at its March meeting to discuss the importance of leadership regularly addressing compliance in staff meetings and to provide guidance on how to include compliance topics in those discussions.

In addition, Compliance is preparing a Quarterly *Compliance Connection* Newsletter to launch next quarter, highlighting timely compliance issues and reminding readers of compliance reporting channels.
The other Compliance awareness activities planned at this time are Choose Privacy Week, Whistleblower Appreciation Day, Learning Day, and Computer Security Day. Compliance is also planning its annual Compliance and Ethics Week in Q4 2026, which will feature interactive, in-person sessions designed to further educate staff on the importance of compliance and the role of compliance controls in their day-to-day responsibilities.

Also, the Compliance Officer teamed with the Legal Division to draft and circulate a memo to executives affected by the new training requirements under SB 827 and will work with Human Resources to ensure compliance measures are in place.

Ethics Training Session

The Compliance Officer and Staff Attorney Rosie Baek, in partnership with Human Resources, will provide an Ethics Training course to all staff next month. The focus of this training will be on basic workplace ethical conduct with emphasis on issues relevant to frontline staff.

Ethics and Fraud Hotline

The Ethics and Fraud Hotline remains active, and all reports are forwarded to Compliance and members of the Legal Division. *No Hotline reports have been received since our December report to the Audit Committee.*

Collaboration with Internal Audit

The Compliance Department and Internal Audit have established quarterly coordination meetings to strengthen communication and promote alignment across oversight activities. These meetings provide Internal Audit with an opportunity to request Compliance's support to facilitate outreach to operational staff, clarify compliance processes, and review the status of open Management Action Plans (MAPs).

Compliance and Internal Audit met in February to align on MAPs, key risk areas, and other emerging issues requiring cross-functional awareness and coordination. These discussions support a shared understanding of control gaps, remediation priorities, and potential areas of focus. Compliance and Internal Audit will continue meeting regularly in advance of Audit Committee meetings.

Conclusion

The Compliance Program continues to advance its mission to foster a culture of ethical conduct and regulatory compliance across OCERS. The activities outlined in this report reflect our commitment to proactive risk identification, comprehensive staff education, and collaborative partnerships with Internal Audit and operational departments. As we expand our department-level assessments and enhance awareness initiatives, we remain focused on providing practical support that helps staff navigate compliance obligations with confidence and effectiveness. The Compliance Officer welcomes the Audit Committee's feedback on these initiatives and stands ready to address any questions regarding the program's direction or strategic priorities.

Attachment

Submitted by:

OCERS

E.H. – APPROVED

_____

Esther Hong
Compliance Officer

Communications Risk and Control Environment Assessment
February 26, 2026

COMMUNICATIONS RISK AND CONTROL ENVIRONMENT ASSESSMENT

Compliance Department
Report

Report Date: February 26, 2026

Communications Risk and Control Environment Assessment
February 26, 2026

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Communications Risk and Control Environment Assessment
February 26, 2026

Background

In accordance with the Compliance Program Charter, the Compliance Program conducts comprehensive, agency-wide risk assessments and control monitoring to:

- Serve as an early warning framework for identifying compliance and ethics risks.
- Support risk prioritization by strengthening existing controls and guiding the development of new controls.
- Enhance decision-making by providing timely, risk-based information on prioritized risks and mitigation activities.

Purpose and Scope

The Communications Department was selected for a risk and control assessment to evaluate the effectiveness of its mitigation strategies and compliance controls and to establish baseline benchmarks for future monitoring. The results are intended to help management understand key risks, oversee remediation efforts, and support ongoing compliance monitoring and future assessments.

The evaluation focused on the following key risk areas:

- Governance, Policies, and Procedural Oversight
- Training and Awareness
- Accuracy, Transparency, and Legal Compliance
- Social Media Governance
- Crisis Communications Planning and Execution
- Use of Artificial Intelligence

Assessment Period: January 8-30, 2026

Assessor: Compliance Officer

Assessment Results

The overall compliance control environment within Communications is **Effective,** with no material gaps identified.

Recommendations

Governance, Policies, and Procedural Oversight (Priority: Low)

Current State: Applicable statutes and legal updates are not consistently stored or maintained in a centralized location on the shared drive.

Recommendation: Establish and maintain a centralized, secure repository for all statutes and legal updates applicable to Communication Department operations to ensure accessibility, accuracy, and compliance oversight.

Communications Risk and Control Environment Assessment
February 26, 2026

Current State: The SOP (Standard Operating Procedure) titled, "Annual Updates to the OCERS Website" has not been formally reviewed to confirm completeness and accuracy. Currently, annual updates are performed either through established standard updates or through requests submitted by specific Department personnel with relevant subject matter expertise via the Communications Request Form on SharePoint.

Recommendation: Formally review and update the "Annual Updates to the OCERS Website" SOP to ensure it is complete, accurate, and reflects current practices. Maintaining formalized and current process documentation supports consistent execution, strengthens accountability, and reduces the risk of control gaps. Revisions will be made by the Communications Specialist and reviewed by the Director of Communications to ensure all required annual updates are clearly and accurately documented. Subsequent reviews will be managed through the Procedure Lifecycle Program, which defines required review frequency and approval requirements. This program is currently in the process of being formally implemented.

Current State: Legal receives all public record requests submitted via the website link or email and is responsible for reviewing and processing them. The Legal Department reviews and forwards communications-related requests to the Communications Department. From a compliance standpoint, the group email distribution should include Compliance to ensure oversight.

Recommendation: Compliance should be included on the public records request email distribution list to ensure oversight and accountability.

Accuracy, Transparency, and Legal Compliance (Priority: Medium-High)

Current State: The Director of Communications holds periodic touchpoint meetings with Member Services personnel to maintain awareness of potential public-facing communications to ensure accurate, consistent transfer of information. While these meetings were established to provide up-to-date information, they were not consistently held.

Recommendation: Provide targeted guidance to the Member Services team on the Communications Department's roles and responsibilities, emphasizing protocols for handling communication-specific requests, including member-facing messaging. This will help ensure accuracy and consistency in external communication, reduces the risk of miscommunication and strengthens accountability.

Social Media Governance (Priority: Medium-High)

Current State: Access to social media platforms is limited to a small number of individuals, primarily within the Communications Department and the HR Staff Analyst. Human Resources currently does not notify Communications of separations to initiate timely access reviews. Passwords are maintained in a password protected Excel file maintained by Information Technology.

Recommendation: Human Resources Department should promptly notify Communications of all employee separations. Communications should update or remove social media access, as appropriate. Additionally, social media account passwords should be updated immediately when a device is lost, stolen, or compromised.

Communications Risk and Control Environment Assessment
February 26, 2026

Assessment Methodology

The assessment was conducted using a structured, risk-based approach to identify compliance risks and evaluate the effectiveness of existing controls, including:

- **Questionnaire**: A comprehensive questionnaire was used to assess the adequacy of Communications controls and identify potential risk areas.
- **Interviews**: Interviews with Communications management and staff were conducted to understand day-to-day operations, control effectiveness, and existing and emerging risks.
- **SOP (Standard Operating Procedures) Review**: Written policies, procedures, and process documentation were reviewed to assess alignment with regulatory requirements, organizational standards, and actual operating practices.
- **Risk Prioritization**: Risks were ranked based on inherent risk, control effectiveness, and residual risk, with input and consensus from the Communications team.
- **Control Environment Evaluation**: Existing controls were evaluated to determine whether they are appropriately designed, documented, and operating effectively.

Assessment Criteria

The control environment was evaluated using a structured, risk-based approach that assessed the design, documentation, and operating effectiveness of key controls. As mentioned above, the assessment included questionnaires, documentation reviews, and interviews with Communications management and staff to identify potential gaps and opportunities for improvement. This approach ensures that both the intended operation of controls and their actual performance in practice are thoroughly examined.

Risks were assessed using standard compliance guidelines. Inherent risk represents the level of exposure before any controls are applied, while residual risk reflects the remaining risk after considering the effectiveness of existing controls. Inherent risk and control effectiveness may be similar across multiple areas, reflecting the underlying exposure and strength of controls. Residual risk, however, may vary depending on the potential impact, regulatory sensitivity, and the degree to which risks can be mitigated. For example, a risk that occurs infrequently may still present a high residual risk if the potential consequences, such as regulatory sanctions, financial loss, or reputational damage, are significant. This structured approach provides a clear understanding of where the organization is well-controlled and where additional attention may be needed. See Appendix A for more information.

Control Environment Assessment

Risk Area	Inherent Risk	Existing Controls	Residual Risk
Governance, Policies, and Procedural Oversight	Medium–High	Generally effective	Low
Training and Awareness	Medium	Effective	Low
Accuracy, Transparency, and Legal Compliance	High	Effective	Low-Medium
Social Media Governance	Medium–High	Generally effective	Medium

Communications Risk and Control Environment Assessment
February 26, 2026

Crisis Communications Planning and Execution	Medium	Generally effective	Low
Use of Artificial Intelligence	High	N/A*	N/A*

* *At this time, AI usage within the Communications Department is limited, and no significant risk exposure has been identified. Compliance will continue to monitor AI adoption and assess potential risks in future risk assessments.*

Assessment Details

Key Risk Area	Risk Statement	Existing Controls	Enhancement Opportunities
Governance, Policies, and Procedural Oversight	Failure to comply with state, federal, and local labor laws could result in penalties, reputational damage, legal liability, and operational inefficiencies.	The Legal Division provides relevant legal updates to the Director of Communications while maintaining independent oversight of additional guidance. The Communications Department attends relevant trainings, conferences, and webinars to stay current on applicable statutes.	Maintain a secure, centralized repository for statues and legal updates. Update the "Annual Updates to the OCERS Website" SOP to ensure completeness and accuracy. Add Compliance to the PRA group email distribution list.
Training	Staff are not adequately trained in applicable laws and regulations.	Training material is maintained on the Department's restricted access folder and is appropriately retained per the Records Management Policy.	Ensure the Member Services team is informed of Communications' roles and responsibilities for member-facing communications.
Accuracy, Transparency, and Legal Compliance	Inaccurate or misleading information may be disseminated, resulting in legal or reputational exposure.	CEO will call emergency meetings with key stakeholders (Legal, relevant Executives, Communications) to discuss non-public information or confidential information. An	Ensure the Member Services team is informed of Communications' roles and responsibilities for member-facing communications.

Communications Risk and Control Environment Assessment
February 26, 2026

		execution plan will be discussed and implemented to prevent additional risk exposure. The Director of Communications holds periodic meetings with Member Services to identify public-facing communications and ensure accurate information sharing.	
Social Media Governance	Inappropriate access to social media platforms	Communications monitors Hootsuite (social media management platform) to prevent misinformation, sensitive information, and/or inappropriate activity on all social media platforms. High risk content is reported to the Director of Communications for further analysis.	Human Resources notifies Communications of employee separations, and Communications determines whether social media access should be revoked. Social media passwords are updated immediately when a device is lost, stolen, or compromised.

Conclusion and Next Steps

The risk assessment indicates that the Communications function operates within a generally sound control environment; however, opportunities exist to strengthen governance, documentation, and monitoring practices. While key controls are in place, gaps in documentation, access management, and process formalization increase the potential for compliance risk. Addressing these gaps will improve transparency, accountability, and the organization's ability to proactively manage regulatory and operational exposure.

Compliance will partner with the Director of Communications to develop and implement a remediation plan for the assessment recommendations by the second quarter of 2026. Progress will be tracked through defined milestones and periodic reporting to management to ensure timely and effective risk mitigation.

Communications Risk and Control Environment Assessment
February 26, 2026

<u>**Appendix A**</u>

Definitions

Inherent Risk	The level of risk present in a process or activity before any controls are applied to mitigate its likelihood or impact.
Controls	Policies, procedures, and tools designed to prevent, detect, or mitigate risks and ensure adherence to legal, regulatory, and internal requirements (e.g., training, checklists, and quality checks).
Residual Risk	The level of risk that remains after implementing controls to mitigate the likelihood or impact of inherent risks.

Framework

The framework below provides a standardized approach to assess residual risk by considering:

Controls – The effectiveness of policies, procedures, and tools in mitigating risk.

Impact – The potential effect on operations, financial performance, regulatory compliance, reputation, or customer data.

Action – Recommended mitigation measures and monitoring requirements based on the level of residual risk.

This framework ensures consistent, objective risk assessment and supports compliance with organizational and regulatory obligations. Residual risks are categorized as Low, Medium, or High, with corresponding impacts and actions to guide mitigation strategies.

Residual Risk	Controls	Impact	Action
Low	Controls are fully effective; minimal gaps exist.	Minimal effect on operations, financial losses, reputation, or compliance. Typically, manageable without significant intervention.	Limited mitigation and monitoring may be required to prevent escalation.
Medium	Controls are generally effective but potential gaps exist.	Moderate operational disruptions, financial loss, or minor regulatory issues.	Mitigation and monitoring required to prevent escalation.
High	Controls are ineffective or insufficient to mitigate known risks.	Significant operational disruption, financial loss, regulatory breaches, customer data breaches, or reputational damage.	Immediate attention, strong mitigation plans, and continuous monitoring required to reduce or eliminate the risk.

Memorandum

DATE: February 26, 2026

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 have 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

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

REPORTING FOR: 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, ARCHIVED	OPEN	Closed - No Further Action Required (Prior Years)	Total
Process Owner			
EMPLOYER	0	29	29
EXECUTIVE	0	8	8
FINANCE	0	5	5
HUMAN RESOURCES	0	7	7
INFORMATION SECURITY	0	19	19
INFORMATION TECHNOLOGY	0	9	9
INVESTMENTS	1	2	3
MEMBER SERVICES	0	30	30
Total Count:	1	109	110

🟩 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

Executed: *2/18/2026 5:42:28 PM*
Executed By: *OCERS\plam*

Doc. No. 0080-0120-R0001

Management Action Plan Status Report

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

Process Owner(s): ALL

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

Project:	93 - 2512 - Investments Due Diligence Audit (2025)
PROCESS OWNER:	**INVESTMENTS**
Report Date:	10/06/2025
Total Observations:	1

OBSERVATION #2 - 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.   `OPEN`

Due Date:	09/30/2026	**On Schedule**
Action Plan:	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.	
IA Follow-Up:		

	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

Executed: *2/18/2026 5:42:28 PM*
Executed By: *OCERS\plam*

Doc. No. 0080-0120-R0001
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Management Action Plan Status Report

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

Process Owner(s): ALL

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

Project:	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

	🟩 On Schedule to complete MAP	
Executed: 2/18/2026 5:42:28 PM	🟨 Missed Due Date (1st Time), planned to complete by Revised Due Date	*Doc. No. 0080-0120-R0001*
Executed By: OCERS\plam	🟥 Missed Due Date (2nd Time) since latest Revised Due Date	*Page 3 of 40*

Management Action Plan Status Report

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

Process Owner(s): ALL

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

Action Plan:	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:	*2/18/2026 5:42:28 PM*	On Schedule to complete MAP
Executed By:	*OCERS\plam*	Missed Due Date (1st Time), planned to complete by Revised Due Date
		Missed Due Date (2nd Time) since latest Revised Due Date

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Management Action Plan Status Report

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

Process Owner(s): ALL

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

IA Follow-Up:	IA confirmed the 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`

	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

Management Action Plan Status Report

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

Process Owner(s): ALL

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

		MAP Status Unassigned
Completion Date:	04/17/2023	

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:	*2/18/2026 5:42:28 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
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Management Action Plan Status Report

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

Process Owner(s): ALL

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

IA Follow-Up:	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:	*2/18/2026 5:42:28 PM*		On Schedule to complete MAP
Executed By:	*OCERS\plam*		Missed Due Date (1st Time), planned to complete by Revised Due Date
			Missed Due Date (2nd Time) since latest Revised Due Date

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Management Action Plan Status Report

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

Process Owner(s): ALL

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

Action Plan:	The 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: *2/18/2026 5:42:28 PM*	▇ On Schedule to complete MAP
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Management Action Plan Status Report

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

Process Owner(s): ALL

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

IA Follow-Up:	IA 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:	*2/18/2026 5:42:28 PM*	
Executed By:	*OCERS\plam*	

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Missed Due Date (1st Time), planned to complete by Revised Due Date
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Management Action Plan Status Report

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

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

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 veified that the request was made with upper management.

Project:	91 - 2432 - LAFCO employer audit
PROCESS OWNER:	**EMPLOYER**
Report Date:	03/25/2025

Executed:	*2/18/2026 5:42:28 PM*	🟩 On Schedule to complete MAP
Executed By:	*OCERS\plam*	🟨 Missed Due Date (1st Time), planned to complete by Revised Due Date
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Management Action Plan Status Report

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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

Process Owner(s): ALL

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

Total Observations: 4

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

Completion Date:	12/01/2025	On Schedule

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:

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

Executed:	*2/18/2026 5:42:28 PM*	On Schedule to complete MAP
Executed By:	*OCERS\plam*	Missed Due Date (1st Time), planned to complete by Revised Due Date
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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 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 x Plan B rate (average age rate)) x discount rate -§31581.2 employer pick up = ((1/2 x 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.	

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

Completion Date:	09/01/2024	**On Schedule**

Executed:	*2/18/2026 5:42:28 PM*
Executed By:	*OCERS\plam*

Color	Description
🟩	On Schedule to complete MAP
🟨	Missed Due Date (1st Time), planned to complete by Revised Due Date
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Management Action Plan Status Report

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

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

Action Plan:	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

Completion Date:	04/20/2023	MAP Status Unassigned

Executed:	*2/18/2026 5:42:28 PM*		On Schedule to complete MAP
Executed By:	*OCERS\plam*		Missed Due Date (1st Time), planned to complete by Revised Due Date
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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:	A. Management will recommend changes to the Procurement and Contracting Policy to include a duty of the Contract Administer to ensure the appropriate signatures for contracts are obtained.
	B. In an instance where the Procurement and Contracting Policy is not followed, Management will address these non-compliance issues through the Employee Evaluation and Discipline practices as noted in the Employees Handbook.
IA Follow-Up:	IA confirmed the Policy was updated with the provision for the Contract Administrator to ensure signatures comply with signature requirements.

OBSERVATION #4 - THE LEGAL DIVISION'S REVIEW WAS NOT OBTAINED FOR AN IT CONSULTANT'S CONTRACT AWARDED IN 2021. (CONTRACT VALUE OF $126,000). **CLOSED**

Completion Date:	09/12/2022	MAP Status Unassigned
Action Plan:	A. All contracts, including those that do not deviate from OCERS' form of contract, are now forwarded to the Legal Division for review. In addition, the Legal contract approval is being retained for future reference.	
IA Follow-Up:	Internal Audit reviewed sample of Legal approval of final contracts	

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**

Completion Date:	01/30/2023	MAP Status Unassigned
Action Plan:	A. Management will implement procedures to ensure Certificates of Insurance are in accordance with the vendor contracts. In those cases where the Insurance Certificate does not meet the contractual requirements, the contract stake holder and Legal Division will be consulted for additional action.	
IA Follow-Up:	Internal Audit confirmed COIs were obtained for an additional sample.	

OBSERVATION #6 - POLICY IS ABSENT GUIDANCE OF WHEN A CONTRACT IS NEEDED AND HOW TO MONITOR ROUTINE ITEMS THAT DO NOT WARRANT A CONTRACT. **CLOSED**

Completion Date:	04/20/2023	MAP Status Unassigned
Action Plan:	Policy Issue: Management will work with the Legal Division to identify circumstances where a contract is required and make recommendations to update the Procurement and Contracting Policy as deemed appropriate.	
IA Follow-Up:	IA confirmed the Policy was updated to define when a written contract was required.	

OBSERVATION #7 - UPON REVIEW OF OCERS' CONTRACT MANAGEMENT SYSTEM (CMS), WE NOTED DATA ENTRY ERRORS WITH SIX VENDORS IN OUR SAMPLE. **CLOSED**

Completion Date:	01/24/2023	MAP Status Unassigned
Action Plan:	Management has approval to hire an additional Team Member in this department. Review procedures will be created and implemented at that time.	
IA Follow-Up:	New Senior Manager hired. Internal Audit reviewed the Data Entry review schedule provided by management.	

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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
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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 #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

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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
Report Date:	03/28/2024

Executed: *2/18/2026 5:42:28 PM*	🟩 On Schedule to complete MAP	***Doc. No. 0080-0120-R0001***
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Management Action Plan Status Report

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

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

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**

Completion Date:	03/21/2025	On Schedule

	On Schedule to complete MAP	
Executed: *2/18/2026 5:42:28 PM*	Missed Due Date (1st Time), planned to complete by Revised Due Date	***Doc. No. 0080-0120-R0001***
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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:	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:	*2/18/2026 5:42:28 PM*	▇ On Schedule to complete MAP
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Management Action Plan Status Report

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

Process Owner(s): ALL

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

Action Plan:	The 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.	

	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

Executed:	*2/18/2026 5:42:28 PM*
Executed By:	*OCERS\plam*

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Management Action Plan Status Report

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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

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

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

Project:	89 - 2433- OCERS Employer Audit
PROCESS OWNER:	HUMAN RESOURCES
Report Date:	12/12/2024
Total Observations:	2

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.	

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

Completion Date:	12/01/2025	**On Schedule**
Action Plan:	OCERS is set to review the OCERS Direct handbook in 2025. This information will be included.	
IA Follow-Up:		

Project:	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`

Executed:	*2/18/2026 5:42:28 PM*	🟩 On Schedule to complete MAP
Executed By:	*OCERS\plam*	🟨 Missed Due Date (1st Time), planned to complete by Revised Due Date
		🟥 Missed Due Date (2nd Time) since latest Revised Due Date

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Management Action Plan Status Report

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

Process Owner(s): ALL

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

Completion Date:	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
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 comleted.	

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

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	

Executed: *2/18/2026 5:42:28 PM*
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Management Action Plan Status Report

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

Process Owner(s): ALL

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

Completion Date:	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**
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**

Executed: 2/18/2026 5:42:28 PM	On Schedule to complete MAP	**Doc. No. 0080-0120-R0001**
Executed By: OCERS\plam	Missed Due Date (1st Time), planned to complete by Revised Due Date	*Page 21 of 40*
	Missed Due Date (2nd Time) since latest Revised Due Date	

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Management Action Plan Status Report

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

Process Owner(s): ALL

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

Action Plan:	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	
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

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Executed By:	*OCERS\plam*	

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Management Action Plan Status Report

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

Process Owner(s):   ALL

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

Action Plan:	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	
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	

	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

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Management Action Plan Status Report

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

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

IA Follow-Up:	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

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.	

	▇ On Schedule to complete MAP	
Executed: *2/18/2026 5:42:28 PM*	▇ Missed Due Date (1st Time), planned to complete by Revised Due Date	*Doc. No. 0080-0120-R0001*
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Management Action Plan Status Report

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

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

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**
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

Executed:	*2/18/2026 5:42:28 PM*	On Schedule to complete MAP
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Management Action Plan Status Report

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

Process Owner(s): ALL

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

PROCESS OWNER: INFORMATION TECHNOLOGY

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

Action Plan: 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.

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.

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.

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.

IA Follow-Up: New financial accounting system implementation was moved to 2021 with move to production in Jan 2022.
IA confirmed that the Intranet Portal has restricted adminstrative access.
IA also confirmed the new financial accounting system has restricted administrative access

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

CLOSED

Completion Date:	08/23/2023

MAP Status Unassigned

Action Plan: OCERS has developed criteria to identify IT vendors and technology service providers' requiring SOC2 reports, and will enhance our systems to notify staff to request and review SOC2 reports annually. Process and review documentation is being developed along with updates to our procurement process to mandate SOC2 reports as a deliverable

IA Follow-Up: Enhancements have been made to the vendor management system. Processes and Procurement policy needs to be formally updated.

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

CLOSED

Completion Date:	12/11/2024

On Schedule

Action Plan: Phase one of OCERS Data Classification project, will identify data elements in our V3 system and include the creation of data flow diagrams for data elements classified as "sensitive". In addition, OCERS IT Programming team will develop data flow diagrams of their internal datasets and reporting platform.

Additional data flow diagrams may be developed along with process flow diagrams as part of future lean process improvements.

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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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Management Action Plan Status Report

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

Process Owner(s): ALL

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

IA Follow-Up:	IA 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

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

Executed:	*2/18/2026 5:42:28 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

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Management Action Plan Status Report

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

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

PROCESS OWNER: 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
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: 93 - 2512 - Investments Due Diligence Audit (2025)

PROCESS OWNER: INVESTMENTS

Report Date: 10/06/2025

Total Observations: 1

OBSERVATION #1 - PROJECT MANAGEMENT FRAMEWORK AND PROCEDURE   **[CLOSED]**

Completion Date:	11/10/2025	On Schedule
Action Plan:	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.	
IA Follow-Up:		

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

PROCESS OWNER: MEMBER SERVICES

Report Date: 12/04/2012

Total Observations: 1

Executed: 2/18/2026 5:42:28 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

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Management Action Plan Status Report

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

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

OBSERVATION #1 - MANUAL FAS OVERRIDE

CLOSED

		MAP Status Unassigned
Completion Date:	09/13/2022	

Action Plan: Management agreed to the following recommendation: Subsequent changes made to FAS after the initial benefit setup process should require a supervisory approval prior to making an override in the system. Additionally, management should use a system-generated report from V3 that lists all manual overrides to identify all such changes made in the system. Management should review and sign off on each manual override on that report for propriety and accuracy to mitigate the risk of unauthorized or incorrect amounts being entered in the system.

IA Follow-Up: IA to confirmed the new QA process reviews all manual FAS overrides with the new 100% accruacy process

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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

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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

		MAP Status Unassigned
Completion Date:	01/05/2022	

Executed: *2/18/2026 5:42:28 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

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Management Action Plan Status Report

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

Process Owner(s): ALL

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

Action Plan:	Member Services 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 that 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`

MAP Status Unassigned

Completion Date:	03/14/2023
Action Plan:	Member Services is in the process of documenting all current MOU's and will draft an update to the pay item review procedure to include a section on monitoring MOU's for adjustments made by Employers to ensure Employers have obtained OCERS approval prior to implementing a new pay item. Currently, the Employer is required to submit a "pay item request form" to OCERS for approval in order to add a new or adjust an existing pay item. This is required to be done at least two pay periods prior to implementation of the pay item in the Employer payroll. If however an Employer attempts to pass a pay item that has not been added for that Employer, the system will produce an error for the Employer when they submit the payroll. This process assists Member Services in monitoring the implementation of pay items directly by the Employer.
IA Follow-Up:	IA confirmed a process and supporting documentation was implemented.

Project:	42 - 2032 - Actuarial Extract Audit
PROCESS OWNER:	**MEMBER SERVICES**
Report Date:	10/13/2020
Total Observations:	1

Executed: *2/18/2026 5:42:28 PM*	▇ On Schedule to complete MAP	*Doc. No. 0080-0120-R0001*
Executed By: *OCERS\plam*	▇ Missed Due Date (1st Time), planned to complete by Revised Due Date	*Page 30 of 40*
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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 #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

Action Plan:	Member Services has reviewed and is in the process of addressing the recalculations for members identified by Internal Audit during their review. Member Services Management has also taken the following steps which are further detailed in our "Member Services Management Quality Assurance Review Final Average Salary Q1-Q2 2020 Report.docx" document provided to the committee (Action Item A-5). 1. Reorganization of the Retirement Program Specialist (RPS) department. 2. Development of the OCERS Retirement Transaction Tool. 3. Development of detailed written procedures for the entire Retirement Transaction Process. 4. Retrained the RPS teams on the newly developed Retirement Transaction Tool. 5. Development of a fully focused Quality Assurance Review Team and Reporting process. 6. Random Sampling of Retirement Transactions by Member Services Management Team.
IA Follow-Up:	As part of the continuous audit for the FAS calculation, Internal Audit noted the MAP was completed during the July 1 payroll review.

Project: 56 - 2133 - Dependent Survivor Eligibility Audit

PROCESS OWNER: MEMBER SERVICES

Report Date: 10/04/2021

Total Observations: 4

Executed:	2/18/2026 5:42:28 PM
Executed By:	OCERS\plam

🟩	On Schedule to complete MAP
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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 - 1. OCERS DOES NOT HAVE A FORMALIZED AND SYSTEMATIC PROCESS TO ADDRESS SURVIVOR BENEFITS UNCLAIMED OVER AN EXTENDED PERIOD OF TIME.　　　**CLOSED**

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

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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**

Completion Date:	01/26/2023 　　　　　　　　　　　　　　　　　　　　　*MAP Status Unassigned*
Action Plan:	1. Per the OCERS' Overpaid and Underpaid Plan Benefits Policy, OCERS will not recoup the overpaid funds from the surviving spouse's continuance. 2. Current procedures requires Member Services to perform a comparison of the benefit components on both member and survivor to identify any possible discrepancies at the time of the survivorship establishment. We will review our current procedures to see if there are any additional steps, we can take to ensure we do not miss this type of discrepancy moving forward. We will also update our team and provide training specific to this issue.
IA Follow-Up:	Confirmed procedures were updated for Member Services to verify COLA and Pension amounts for survivor benefit payments.

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

Completion Date:	04/25/2024 　　　　　　　　　　　　　　　　　　　　　**On Schedule**
Action Plan:	Member Services Management will perform a root cause analysis and develop a QA process specific to the Manual Tertiary Applications. This type of application is very rare and is not fully developed and automated in V3. We will work to incorporate this in either a V3 upgrade or the new PAS system in the future.
IA Follow-Up:	IA reviewed new QA Process document

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

Completion Date:	03/16/2022 　　　　　　　　　　　　　　　　　　　　　*MAP Status Unassigned*
Action Plan:	Member Services/Disability team will ensure all the documents are uploaded before completing the Required Proof Doc Checklist. Member Services will validate at the time of disability recalculation that the required disability documentation is within the V3 member file.
IA Follow-Up:	IA confirmed the disability documents have been uploaded to V3 and a process was implemented to validate documents have been uploaded.

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Executed By: *OCERS\plam*

　　　On Schedule to complete MAP
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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: 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]

Completion Date:	01/30/2023	MAP Status Unassigned
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

Executed:	2/18/2026 5:42:28 PM	
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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 (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

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`

Completion Date:	03/17/2023	MAP Status Unassigned
Action Plan:	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.	
IA Follow-Up:	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`

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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:	05/15/2023
	MAP Status Unassigned

Action Plan: These errors were associated to the first 30 transactions performed by external contractors. The prior 6 transactions (October and November 2022) where Member Services did not have any errors were performed by seasoned team members. From our review of these items, the contractors did not follow the documented processes and training they were provided; had the process been followed errors would not have occurred. The issue has been addressed with the contractors and they fully understand the need for following the documented process. The Member Services management team is also considering extending the payroll deadlines to allow for more time to perform the processing and QA. We believe rushing to get transactions processed before the deadline has contributed to the errors and think extending the timeline will help prevent future errors.

IA Follow-Up: Internal Audit confirmed the commuication 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`

Completion Date:	05/15/2023
	MAP Status Unassigned

Action Plan: These errors were on a new Excel tab specifically created for Alameda recalculations. With the Board direction to only collect overpayments from 10/1/2020 forward from the member, Member Services needed to create a manual calculation process. This tab was created so we could split the amount of the overpayment between the Member and the Employer. V3 automatically calculates the total overpayment, however V3 cannot automate the split between Member and Employer. The data in this tab is a direct extract from members' V3 accounts and the errors occurred when the contractors entered the data manually vs extracting it from V3. In addition, the QA team did not validate the numbers thinking they were a direct extract. Member Services management team will be modifying our controls to ensure this new data tab is calculated separately by our QA team to validate the numbers.

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

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`

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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:	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.	

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

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Executed By:	*OCERS\plam*	▇ Missed Due Date (1st Time), planned to complete by Revised Due Date
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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: 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.

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

Executed:	2/18/2026 5:42:28 PM	(green) On Schedule to complete MAP
Executed By:	OCERS\plam	(yellow) Missed Due Date (1st Time), planned to complete by Revised Due Date
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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 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`

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 CONTA   `CLOSED`

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

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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:	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**
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 implemention after reveiwing MOU training class agenda regarding, MOU training guides, an employer meeting agenda from November 2024, and recent BOT report results. | |

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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:	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:	

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

Memorandum

DATE: February 26, 2026

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **AUDIT COMMITTEE REVIEW OF ACTIVITIES**

Written Report

Background/Discussion

This report recaps the Audit Committee's previous activity to assist Committee members with staying up to date.

Here's a summary of the key points and actions discussed during Audit Committee meetings in 2025:

Audit Committee Meeting held on February 11, 2025:

- **2025 Risk Assessment and Audit Plan:** Mr. Lam presented the 2025 Risk Assessment and Audit Plan and specifically discussed the audits covering Investment Due Diligence, Investment Compensation Calculation Review and Service Credit Purchases (SCP.) Discussions on the items included audit scope, potential need for investment expertise and improvements made to the SCP process.

- **IT Audit Consultant Selection:** Three finalists presented to the Audit Committee regarding co-sourced IT audit services. Of the three, RSM was awarded by unanimous vote.

Audit Committee Meeting held on March 25, 2025:

- **2024 Financial Statement Audit – Entrance Conference:** An overview was provided of the 2024 Financial Statement audit to be completed by Moss Adams.

- Two audits, an **OCERS Retiree Payroll Process audit** and an employer audit of **the Local Agency Formation Commission (LAFCO)** were presented. Both audits were approved and filed.

Audit Committee Meeting held on June 9, 2025:

- **Alameda Phase 2 Recalculation Audit:** Audit report was presented noting a 100% accuracy rate with no final average salary errors identified. Two minor observations were noted, and the report was approved and filed.

- **Internal Audit Department Update:** Mr. Lam informed the committee that Mr. Adviento had accepted a new role within the organization and that a suitable replacement would be sought after.

- **2024 Financial Statement Audit:** Moss Adams issued unmodified opinions with no findings or recommendations. The Committee approved OCERS' audited financial statements for the year ended December 31, 2024. The Annual Comprehensive Financial Report (ACFR) was also approved for finalization and publication.

- **GASB 68 Valuation and Audit Report:** Staff recommended to the Board to approve OCERS' audited Schedule of Allocated Pension Amounts by Employers for the year Ended December 31, 2024, and the GASB 68 Actual Valuation for distribution to Employers. Both recommendations were unanimously approved.

- **OCERS Compliance Program:** Mr. Serpa informed the committee that the Chief Compliance Officer, Mr. Addo had officially resigned. The newly defined Compliance Officer role will be filled by a staff member from Internal Audit after the Senior Internal Auditor vacancy has been filled.

Audit Committee Meeting held on October 6, 2025:

- Two audits, **Investment Due Diligence** and an employer audit of the **Orange County Sanitation District** were presented and approved for filing.

- **Member Services Quality Assurance Report:** Mr. Lamberson presented the Quality Assurance Report, noting Member Services continued to meet the 100% accuracy goal. Mr. Delaney stated the organization was exploring automation for calculations, hoping to achieve full automation by 2030.

- **Internal Audit Department Update:** Mr. Lam highlighted changes to the Internal Audit department including the hiring of a new Senior Internal Auditor, Alex McDowell. Mr. Packard inquired if the staffing changes would have an impact on the audit plan. Mr. Lam confirmed that two audits scheduled for 2025 would be postponed to 2026. A revised audit plan will be presented to the committee in December for approval.

Audit Committee Meeting held on December 9, 2025:

- **Finance Contributions Audit:** Mr. Lam presented the audit report for the Finance Contributions audit, report was received and filed.

- **Death Match Process Overview:** Mr. Lam presented the review of issues found with a Death Match vendor. Mr. Delaney recognized OCERS staff for their diligent work in discovering the error and determining the root cause. Chair Lopez Tagaloa directed Mr. Lam to incorporate a Death Match Review process into future audits.

- **Revised 2025 Audit Plan:** Mr. Lam reviewed the revised audit plan, noting two audits from the 2025 plan have been postponed to 2026 due to staffing changes. The new plan was received and filed.

- **Compliance Program Update:** Mr. Serpa provided the compliance program update and presented the Compliance Activity Report to the committee.

Overall, the meetings focused on strengthening internal audits, compliance reporting, and ensuring clarity and efficiency in audit processes.

Submitted by:

PL - Approved

Philip Lam
Director of Internal Audit

Memorandum

DATE: February 26, 2026

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **REPORTING OF INTERNAL AUDIT KEY PERFORMANCE INDICATORS**

Written Report

Background/Discussion

Formal key performance indicators (KPIs) were established for Internal Audit at the December 2022 Audit Committee meeting. The KPIs are used to measure our performance by ensuring quality and risk-based assurance services. Additionally, the KPIs help ensure staff skills are current and relevant to the audit profession.

The results of the Internal Audit KPIs are reported below:

1. Annual Audit Plan Approved by Audit Committee

   o The Annual Internal Audit plan is prepared on a risk-based approach. The Annual Internal Audit plan is submitted to the Audit Committee for review and approval.

   o **Met** – The 2025 Annual Internal Audit plan was approved by the Audit Committee at the February 2025 Committee meeting.

2. Audit workpapers are reviewed within four weeks after initial draft audit report.

   o Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

   o **Met** – The audit workpapers from the six audit reports issued to management in 2025 were reviewed on average of two weeks within initial draft report issuance.

3. Timely report issuance – 80% of draft audit reports are issued to management within four months from the start of fieldwork.

   o Internal Auditors must communicate the results of engagements. Timely reporting indicates effective engagement management and provides management with more timely recommendations to implement management action plans.

   o **Met** – 100% of the six audits presented to management in 2025 were issued to management within six months of start of field work.

4. Team members complete at least 20 hours for professional development training each year.

   o Training ensures each team member's skill set remains current and relevant.

   o **Met** – Each member had at least 20 hours, with an average of 50 hours of training per auditor in 2025.

5. Complete an external quality assessment review at least once every five years.

- o A quality assessment review (QAR) compares OCERS' internal audit activities against the International Standards for the Professional Practice of Internal Auditing (the Standards). Compliance with the Standards speaks to the effectiveness and efficiency of our internal audit function.

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

Submitted by:

PL- Approved

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Philip Lam
Director of Internal Audit