

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

**AUDIT COMMITTEE MEETING  
THURSDAY, March 28, 2024  
9:30 A.M.**

**MINUTES**

**OPEN SESSION**

Chair Packard called the meeting to order at 9:32 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present: Charles Packard, Chair; Adele Tagaloa, Vice Chair; Shari Freidenrich, Ex-Officio Member; Chris Prevatt; Board Member

Also Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO of External Operations, Brenda Shott, Assistant CEO of Internal Operations; Manuel Serpa, General Counsel; David Kim, Director of Internal Audit; Kwame Addo, Chief Compliance Officer; Jeff Lamberson, Director of Member Services; Mark Adviento, Senior Internal Auditor; Jenny Davey, Internal Auditor; Laura Barker, Finance Manager, Anthony Beltran, Audio Visual Technician; Marielle Horst, Recording Secretary.

Guests: Kory Hogan and Aaron Hamilton, Moss Adams

**PUBLIC COMMENT**

None.

**CONSENT AGENDA**

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

Audit Committee Meeting Minutes

January 19, 2024

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

The motion passed **unanimously**.

**INFORMATIONAL ITEM**

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**I-1 2023 FINANCIAL STATEMENT AUDIT – ENTRANCE CONFERENCE**

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

Mr. Hamilton presented the audit plan, which included a list of reports that will be provided at the end of the audit. Mr. Hamilton noted employers are very responsive which is a testament to the collaboration between OCERS and the employers.

**ACTION ITEMS**

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

None.

**A-2 ADOPTION OF THE CHIEF COMPLIANCE OFFICER CHARTER**

*Presentation by Kwame Addo, Chief Compliance Officer*

**Recommendation:** Approve and recommend that the Board approve the adoption of the Chief Compliance Officer Charter as presented.

Mr. Addo presented the Chief Compliance Charter and informed the committee of the hierarchy for reporting to the Audit Committee and Board. Mr. Delaney clarified to the Committee that the Compliance Officer is not an auditor, but rather an essential part of risk mitigation.

After further discussion, a **MOTION** by Mr. Prevatt, **seconded** by Ms. Freidenrich, to approve and recommend that the Board approve the adoption of the Chief Compliance Officer Charter with the suggested changes.

The motion passed **unanimously.**

**A-3 ADOPTION OF THE COMPLIANCE PROGRAM CHARTER**

*Presentation by Kwame Addo, Chief Compliance Officer*

**Recommendation:** Approve and recommend that the Board approve the adoption of the Compliance Program Charter as presented.

Mr. Addo presented the Compliance Program Charter, noting that the compliance model follows a first, second (Compliance), and third (Audit) line of defense.

**MOTION** by Ms. Freidenrich, **seconded** by Ms. Tagaloa, to approve and recommend that the Board approve the adoption of the Compliance Program Charter as presented.

After discussion, an **AMENDED MOTION** by Ms. Freidenrich, **seconded** by Ms. Tagaloa, to approve and recommend that the Board approve the Compliance Program Charter with the suggested changes.

The motion passed **unanimously.**

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**A-4 OUT-OF-CYCLE REVIEW OF THE AUDIT COMMITTEE CHARTER**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Approve and recommend that the Board approve the revisions to the Audit Committee Charter as presented.

Mr. Kim presented the revised Audit Committee Charter, which incorporated suggested changes from the IIA Quality Assurance review team and incorporated changes from the Compliance Officer Charter. After discussion, Ms. Freidenrich provided direction to staff to attach guidelines as a reference when presenting changes going forward.

**MOTION** by Ms. Freidenrich, **seconded** by Mr. Prevatt, to approve and recommend that the Board approve the revisions to the Audit Committee Charter with suggested changes.

The motion passed **unanimously**.

**A-5 OUT-OF-CYCLE REVIEW OF THE INTERNAL AUDIT CHARTER**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Approve and recommend that the Board approve the revisions to the Internal Audit Charter as presented.

Mr. Kim presented the Internal Audit Charter, which provided clarification on the independence of Internal Audit, as well as the responsibilities to coordinate with Compliance.

**MOTION** by Ms. Freidenrich, **seconded** by Ms. Tagaloa, to Approve and recommend that the Board approve the revisions to the Internal Audit Charter as presented.

The motion passed **unanimously**.

**A-6 OUT-OF-CYCLE REVIEW OF THE ETHICS, COMPLIANCE, AND FRAUD HOTLINE POLICY**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Approve and recommend that the Board approve the revisions to the Ethics, Compliance, and Fraud Hotline Policy as presented.

Mr. Kim presented the Ethics, Compliance, and Fraud Hotline Policy, the changes made reflect the responsibility shifting from Internal Audit to Compliance.

**MOTION** by Ms. Freidenrich, **seconded** by Ms. Tagaloa, to approve and recommend that the Board approve the revisions to the Ethics, Compliance, and Fraud Hotline Policy as presented.

The motion passed **unanimously**.

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**A-7 CONTINUOUS AUDIT OF FINAL AVERAGE SALARY CALCULATIONS (Q3 2023)**

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

**Recommendation:** Receive and file.

Mr. Adviento presented the audit of Final Average Salary Calculations. The audit contained two observations over the ten-dollar threshold. Mr. Delany commented he shared the audit results with employers, noting the low dollar amounts of the calculation errors and the limited impact on the basic benefit. Additionally, the use of automation will remove human error in the future.

Ms. Freidenrich inquired if the automation bot had been used to perform calculations. Mr. Lamberson clarified the automation bot was not used in these particular calculations, however, the bot will be able to catch these errors going forward. Ms. Freidenrich suggested having the bot perform a validation test when an error is found. Mr. Kim noted Internal Audit used an automation bot to perform part of the audit testing.

Ms. Freidenrich directed staff to provide a report on the automation bots used and the processes they perform and present to the Board.

**MOTION** by Ms. Freidenrich, **seconded** by Mr. Prevatt, to receive and file.

The motion passed **unanimously**.

**A-8 AUDIT REPORT - OCERS PAYROLL TRANSMITTAL PROCESS**

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

**Recommendation:** Receive and file.

Mr. Adviento presented the audit report on OCERS Payroll Transmittal Process and found four observations. Ms. Tagaloa suggested creating a policy that would hold OCERS and its employers accountable for providing accurate information. Mr. Delaney and Ms. Jenike updated the committee that a Service Level Agreement policy will be presented to the Governance Committee in May.

Ms. Freidenrich questioned if the MOU outlined the terms and conditions and if it could be enforced. Mr. Serpa provided clarification that the CERL allows OCERS to charge fees for services incurred. Mr. Packard would like to shift costs, rather than OCERS incurring the expense of hiring additional employees, the employer should be responsible for providing accurate data.

**MOTION** by Ms. Freidenrich, **seconded** by Ms. Tagaloa, to receive and file.

The motion passed **unanimously**.

**A-9 AUDIT REPORT - OCERS ACCOUNTS PAYABLE PROCESS**

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

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**Recommendation:** Receive and file.

Mr. Adviento presented the report on the Accounts Payable Process and noted two observations regarding process documentation and record retention. Mr. Packard inquired if there is a records retention policy in place. Mr. Adviento advised that there is a policy and a department matrix. Mr. Prevatt noted that the new Chief Compliance Officer should send out a policy reminder to all departments.

**MOTION** by Ms. Tagaloa, **seconded** by Ms. Freidenrich, to receive and file.

The motion passed **unanimously**.

#### **A-10 INVESTMENT ALLOCATION AND REBALANCING AUDIT**

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

**Recommendation:** Receive and file.

Mr. Adviento presented the Investment Allocation and Rebalancing Audit and noted no observations. Ms. Freidenrich directed staff to rename the title “asset allocation” to be consistent with investment reports. Ms. Freidenrich also thanked the audit team for their good work.

**MOTION** by Ms. Tagaloa, **seconded** by Ms. Freidenrich, to receive and file.

The motion passed **unanimously**.

#### **A-11 CONSIDERATION OF REVISED 2024 AUDIT PLAN**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Receive and file.

Mr. Kim presented the revised audit plan incorporating changes the Committee directed to reduce the number of audits performed on Final Average Salary and Alameda Recalcuations and focus on alternate areas.

**MOTION** by Ms. Tagaloa, **seconded** by Ms. Freidenrich, to receive and file.

The motion passed **unanimously**.

#### **CLOSED SESSION ITEMS**

*The Committee adjourned to closed session at 12:10 p.m.*

#### **E-1 THREAT TO PUBLIC SERVICES OR FACILITIES**

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(Government Code Section § 54957)  
Consultation with OCERS Director of Cyber Security

**Recommendation:** Take appropriate action.

### **OPEN SESSION**

*The Committee reconvened to open session at 1:18 p.m.*

### **REPORT OF ACTIONS TAKEN IN CLOSED SESSION**

Chair Packard reported no reportable action was taken during closed session.

### **INFORMATION ITEM**

#### **I-2 AUDIT COMMITTEE FEEDBACK AND DIRECTION SUMMARY**

*Presentation by David Kim, Director of Internal Audit*

Mr. Kim presented the Audit Committee Feedback and Direction Summary from the January 19, 2024, Audit Committee meeting, requesting clarification on the format and content of the document. Mr. Packard noted the summary is very helpful. The Committee directed Mr. Kim to provide quarterly updates presented in a high-level, bulleted summary.

### **WRITTEN REPORTS**

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

*Written Report*

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

*Written Report*

#### **R-3 STATUS UPDATE OF 2024 AUDIT PLAN**

*Written Report*

### **STAFF/COUNSEL/COMMITTEE MEMBER COMMENTS**

None.

### **CHIEF EXECUTIVE OFFICER**

Mr. Delaney clarified that the Employer Data Reporting Policy will be discussed at the Governance Committee on May 23<sup>rd</sup>, and not during the Personnel Committee.

### **ADJOURNMENT**

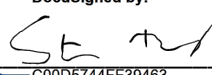
Chair Packard adjourned the meeting at 1:30 p.m.

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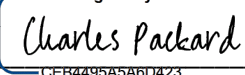
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David Kim  
Committee Liaison

Submitted by:

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Steve Delaney  
Secretary to the Board

Approved by:

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Charles Packard  
Chair