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

AUDIT COMMITTEE MEETING
THURSDAY, DECEMBER 12, 2024
9:30 A.M.

Members of the Committee
Charles Packard, Chair
Adele Lopez Tagaloa, Vice Chair
Chris Prevatt
Shari Freidenrich

Members of the public who wish to observe and/or participate in the meeting may do so (1) from the OCERS Boardroom or (2) via the Zoom app or telephone (information below) from any location.

OCERS Zoom Video/Teleconference information	
Join Using Zoom App (Video & Audio) Join Zoom Meeting https://ocers.zoom.us/j/81176047313 **Meeting ID: 811 7604 7313** **Passcode: 942768** Go to https://www.zoom.us/download to download Zoom app before meeting Go to https://zoom.us to connect online using any browser.	**Join by Telephone (Audio Only)** Dial by your location +1 669 900 6833 US (San Jose) +1 253 215 8782 US (Tacoma) +1 346 248 7799 US (Houston) +1 929 436 2866 US (New York) +1 301 715 8592 US (Germantown) +1 312 626 6799 US (Chicago) **Meeting ID: 811 7604 7313** **Passcode: 942768**
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AGENDA

This agenda contains a brief general description of each item to be considered. The Committee may take action on any item included in the agenda; however, except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda. The Committee may consider matters included on the agenda in any order, and not necessarily in the order listed.

OPEN SESSION

1. **CALL MEETING TO ORDER AND ROLL CALL**

2. **BOARD MEMBER STATEMENT REGARDING PARTICIPATION VIA ZOOM (IF NECESSARY) (Government Code section 54953(f))**

3. **PUBLIC COMMENTS**

Members of the public who wish to provide comment during the meeting may do so by "raising your hand" in the Zoom app, or if joining by telephone, by pressing * 9 on your telephone keypad. Members of the public who participate in the meeting from the OCERS Boardroom and who wish to provide

comment during the meeting may do so from the podium located in the OCERS Boardroom. When addressing the Committee, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

At this time, members of the public may comment on (1) matters not included on the agenda, provided that the matter is within the subject matter jurisdiction of the Committee; and (2) any matter appearing on the Consent Agenda.

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

CONSENT AGENDA

C-1 AUDIT COMMITTEE MEETING MINUTES
Audit Committee Meeting Minutes October 9, 2024

Recommendation: Approve minutes.

C-2 INTERNAL AUDITOR'S INDEPENDENCE AND ETHICS STATEMENT
Recommendation: Receive and File.

ACTION ITEMS

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

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

A-2 CONTINUOUS AUDIT OF FINAL AVERAGE SALARY CALCULATIONS (Q3 2024)
Presentation by Philip Lam, Director of Internal Audit, and Mark Adviento, Senior Internal Auditor

Recommendation: Receive and File.

A-3 AUDIT REPORT - OCERS EMPLOYER AUDIT
Presentation by Philip Lam, Director of Internal Audit, and Mark Adviento, Senior Internal Auditor

Recommendation: Receive and File.

A-4 AUDIT REPORT - ORANGE COUNTY HEALTH CARE AGENCY EMPLOYER AUDIT
Presentation by Philip Lam, Director of Internal Audit, and Mark Adviento, Senior Internal Auditor

Recommendation: Receive and File.

INFORMATION ITEM

I-1 INTERNAL AUDIT TRANSITION
Presentation by Philip Lam, Director of Internal Audit

I-2 BIANNUAL REPORT ON THE OPERATION AND EFFECTIVENESS OF THE OCERS COMPLIANCE PROGRAM
Presentation by Kwame Addo, Chief Compliance Officer

WRITTEN REPORTS

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

R-1 MOSS ADAMS, LLP PERFORMANCE SURVEY REPORT
Written Report

R-2 MANAGEMENT ACTION PLAN VERIFICATION REPORT
Written Report

R-3 STATUS UPDATE OF 2024 AUDIT PLAN
Written Report

COMMITTEE MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

ADJOURNMENT

NOTICE OF NEXT MEETINGS

DISABILITY COMMITTEE MEETING
JANUARY 22, 2025
8:30 A.M.

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

REGULAR BOARD MEETING
JANUARY 22, 2025
9:30 A.M.

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

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

It is OCERS' intention to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or participant at this meeting, you will need any special assistance beyond that normally provided, OCERS will attempt to accommodate your needs in a reasonable manner. Please contact OCERS via email at adminsupport@ocers.org 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
WEDNESDAY, OCTOBER 9, 2024
9:00 A.M.

MINUTES

OPEN SESSION

Chair Packard called the meeting to order at 9:00 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present:	Charles Packard, Chair; Adele Lopez Tagaloa, Vice Chair; Chris Prevatt; Board Member; Shari Freidenrich, Ex-Officio Member
Also Present:	Steve Delaney, Chief Executive Officer; David Kim, Assistant CEO of External Operations, Brenda Shott, Assistant CEO of Internal Operations; Manuel Serpa, General Counsel; Mark Adviento, Interim Director of Internal Audit; Matt Eakin, Director of Information Security; Jon Gossard, Information Security Manager; Anthony Beltran, Audio Visual Technician; Marielle Horst, Recording Secretary.
Guests:	Alfred Ko, RSM Partner; and Joe Strain, Director, Security Consultant

PUBLIC COMMENT
None.

CONSENT AGENDA

C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes June 6, 2024

MOTION by Ms. Lopez Tagaloa, **seconded** by Mr. Prevatt, to approve the minutes.

The motion passed **unanimously.**

CLOSED SESSION ITEMS

The Committee adjourned to closed session at 9:02 a.m.

Orange County Employees Retirement System
October 9, 2024
Audit Committee Meeting

Ms. Freidenrich arrived at 9:05 a.m.

E-1 THREAT TO PUBLIC SERVICES OR FACILITIES (GOVERNMENT CODE SECTION 54957(a))
Consultation with Matt Eakin, OCERS Director of Information Security; Alfred Ko, RSM Partner, Security Consultant; and Joe Strain, Director, Security Consultant.

Recommendation: Take appropriate action.

OPEN SESSION

The Committee reconvened to open session at 10:43 a.m.

The Recording Secretary noted the attendance of all the Committee Members.

REPORT OF ACTIONS TAKEN IN CLOSED SESSION

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

ACTION ITEMS

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

None.

A-2 ORANGE COUNTY PUBLIC LAW LIBRARY EMPLOYER AUDIT
Presentation by Mark Adviento, Interim Director of Internal Audit

Recommendation: Receive and File.

Mr. Adviento presented the report noting there was one observation.

The Committee Members are comfortable with the Management Action Plan.

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

The motion passed **unanimously.**

WRITTEN REPORTS

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

R-1 OCERS CONTRACT OVERSIGHT CONTROLS
Written Report

R-2 MANAGEMENT ACTION PLAN VERIFICATION REPORT

Orange County Employees Retirement System
October 9, 2024
Audit Committee Meeting

Written Report

R-3 STATUS UPDATE OF 2024 AUDIT PLAN
Written Report

R-4 REQUEST FOR PROPOSAL FOR INFORMATION TECHNOLOGY AUDIT SERVICES
Written Report

STAFF/COUNSEL/CHIEF EXECUTIVE OFFICER/COMMITTEE MEMBER COMMENTS
None.

ADJOURNMENT

Chair Packard adjourned the meeting at 10:51 a.m.

Submitted by:	Submitted by:	Approved by:
_____	_____	_____
Mark Adviento	Steve Delaney	Charles Packard
Committee Liaison	Secretary to the Board	Chair

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

AUDIT COMMITTEE MEETING CLOSED SESSION
WEDNESDAY, OCTOBER 9, 2024
11:00 A.M.

MINUTES

OPEN SESSION

Chair Packard called the meeting to order at 11:00 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present:	Charles Packard, Chair; Adele Lopez Tagaloa, Vice Chair; Chris Prevatt; Board Member; Shari Freidenrich, Ex-Officio Member
Also Present:	Steve Delaney, Chief Executive Officer; David Kim, Assistant CEO of External Operations

PUBLIC COMMENT
None.

CLOSED SESSION ITEMS

The Committee adjourned to closed session at 11:00 a.m.

A. INTERVIEWS OF CANDIDATE FOR OCERS' DIRECTOR OF INTERNAL AUDIT
Pursuant to Government Code Section §54957:
PUBLIC EMPLOYMENT
Title: Director of Internal Audit
The Committee will conduct interviews of candidates for the position of Director of Internal Audit.

The Committee recessed for lunch 11:48 a.m.

The Committee reconvened at 12:31 p.m.

OPEN SESSION

B. REPORT OF ACTIONS TAKEN IN CLOSED SESSION

The Committee unanimously chose and directed the CEO to negotiate with the candidate for the Director of Internal Audit position.

ADJOURNMENT

Chair Packard adjourned the meeting at 3:20 p.m.

Submitted by:	Approved by:
_____	_____
Steve Delaney	Charles Packard
Secretary to the Board	Chair

Memorandum

DATE: December 12, 2024

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **INTERNAL AUDITOR'S INDEPENDENCE AND ETHICS STATEMENT**

Recommendation

Receive and file.

Background/Discussion

An external quality assessment (EQA) report was presented by the Institute of Internal Auditors (IIA) Quality Services to the Audit Committee (Committee) on January 19, 2024. In the EQA report, there was an observation for the Director of Internal Audit to document the annual confirmation of independence and adherence to the Institute of Internal Auditor (IIA) Code of Ethics to the Audit Committee.

The attached is a documented certification of the Director of Internal Audit's independence and adherence to the IIA Code of Ethics, as defined by the Institute of Internal Auditors.

Attachment

Submitted by:

PL- Approved

Philip Lam
Director of Internal Audit

OCERS Internal Audit

Internal Auditor's Independence and Ethics Statement

INDEPENDENCE AND CONFIDENTIALITY OVERVIEW

The internal audit activity must be independent, and internal auditors must be objective in performing their work. Independence is the freedom from conditions that threaten the ability of Internal Audit to carry out its responsibilities in an unbiased manner. The mission of the Internal Audit Department is to provide reliable, independent and objective evaluations and consulting services to the Audit Committee and OCERS's management relating to business and financial operations.

Internal Audit shall not participate in any management activity or management relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization in accordance with the Institute of Internal Auditors' Code of Ethics.

Independence is the fundamental principle that guides the reporting relationship of the internal auditor. Internal auditor independence is strongly emphasized by authoritative bodies such as the Institute of Internal Auditors, the American Institute of Certified Public Accountants, and the Government Accountability Office. The Director of Internal Audit will follow recognized professional standards established by the Institute of Internal Auditors and be free of operational and management responsibilities that would conflict with the standards. Any potential impairment to independence will be communicated to the Audit Committee.

In order to maintain independence and objectivity, staff members will not be assigned audits involving the following instances:

- Any situation where their assignment could create a conflict of interest or the appearance of bias.
- Any situation that involves a member of the auditor's immediate family.
- Any activity that the auditor previously performed or supervised unless a reasonable period of time has elapsed.

"Confidential Information" is defined as personally identifiable information (any information that identifies, relates to, describes, or is capable of being associated with a particular individual) and information that is proprietary or sensitive to OCERS, its operations, suppliers, or employees. Confidential Information acquired by an auditor through their employment is considered to be privileged and must be held in strictest confidence. It is to be used solely for OCERS purposes and not as a basis for personal gain by the auditor. Confidential information will only be transmitted to those who need it to discharge their duties as OCERS employees or auditors.

THE IIA CODE OF ETHICS

OCERS Internal Audit adopts and upholds the Code of Ethics as promulgated by The Institute of Internal Auditors. The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing as it is founded on the trust placed in its objective assurance about risk management, control, and governance. All internal auditors are expected to apply and uphold the following principles:

Integrity
The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

Objectivity
Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

OCERS Internal Audit

Internal Auditor's Independence and Ethics Statement

Confidentiality
Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competency
Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.

RULES OF CONDUCT

1. **Integrity**
   Internal auditors shall:
   - Perform their work with honesty, diligence, and responsibility.
   - Observe the law and make disclosures expected by the law and the profession.
   - Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
   - Respect and contribute to the legitimate and ethical objectives of the organization.
2. **Objectivity**
   Internal auditors shall:
   - Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
   - Not accept anything that may impair or be presumed to impair their professional judgment.
   - Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
3. **Confidentiality**
   Internal auditors shall:
   - Be prudent in the use and protection of information acquired in the course of their duties.
   - Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.
4. **Competency**
   Internal auditors shall:
   - Engage only in those services for which they have the necessary knowledge, skills, and experience.
   - Perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
   - Continually improve their proficiency and the effectiveness and quality of their services.

OCERS Internal Audit

Internal Auditor's Independence and Ethics Statement

STANDARD 1100 – INDEPENDENCE AND OBJECTIVITY

1100 Independence and Objectivity
The internal audit activity must be independent, and internal auditors must be objective in performing their work.

Interpretation:
Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

1110 Organizational Independence
The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

Interpretation:
Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting the board involve the board:

- *Approving the internal audit charter;*
- *Approving the risk based internal audit plan;*
- *Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;*
- *Approving decisions regarding the appointment and removal of the chief audit executive; and*
- *Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.*

1110.A1 The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

1111 Direct Interaction with the Board
The chief audit executive must communicate and interact directly with the board.

1120 Individual Objectivity
Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:
Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the

Internal Auditor's Independence and Ethics Statement

internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform her or her duties and responsibilities objectively.

1130 Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:

Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest; scope limitations; restrictions on access to records, personnel, and properties; and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the mature of the impairment.

1130.A1 Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2 Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.

1130 C1 Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130 C2 If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure should be made to the engagement client prior to accepting the engagement.

OCERS Internal Audit

Internal Auditor's Independence and Ethics Statement

INTERNAL AUDITOR'S INDEPENDENCE STATEMENT

The audit organization and the individual auditor should be free in both fact and appearance from personal, external, and organizational impairments to independence. Internal auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of audits.

OCERS Internal Audit expects auditors to maintain independence of mental attitude in the conduct of all assigned work; to be objective, fair, and impartial; and to conduct themselves in such a manner that clients and third parties will see our department in this way. Each staff member must promptly notify the Director of Internal Audit/Chief Audit Executive (CAE) concerning any situation that would impair the staff member's or the audit team's independence on an audit, or that might lead others to question it. If a staff member has any doubt about whether a situation may be impairment, he or she should resolve the question in favor of disclosure.

Being able to answer affirmatively to the following ensures independence. It is recognized exceptions exist. To ensure exceptions are appropriately considered in an audit engagement, full disclosure of an exception is required.

1. I have no official, professional, personal, or financial relationships that might cause me to limit the extent of the inquiry, to limit disclosure, or to weaken or slant audit findings in any way (includes relatives employed by or serving the organization). Financial relationships are limited to compensation and benefits normally associated with the organization.
2. I have no official preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit. I have no biases, including those induced by political or social convictions that result from employment in or loyalty to, a particular group, organization, or level of government.
3. I have no previous responsibility for decision-making or managing an entity that would affect current operations of the entity of program being audited.
4. I have not maintained or made entries to the official accounting records of the client within the past 12 months. I have no financial interest, direct or indirect, in the audited entity or program.
5. I have not been offered or submitted an application for a position with OCERS during the preceding year.
6. I will appropriately maintain and protect the confidentiality of any information or data to which I may have access, including audit files and reports.
7. I will not seek to personally benefit or permit others to personally benefit from any OCERS data or information that I may encounter during my work as an Internal Auditing employee.

Identify audit areas, which may be affected by the above situations:

_____

_____

By my signature below, I certify that I have disclosed (above) or by attachment to this statement any personal impairment of which I am aware and which might be perceived to impair my objectivity in relation to audit engagements. In addition, I have been informed of the independence and objectivity standards of the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors. **In the event that my objectivity or independence in relation to the area under review becomes impaired, I understand it is my responsibility to inform my immediate supervisor of the relevant circumstances.** In addition I have knowledge of and will abide by The Institute of Internal Auditors' Code of Ethics.

Printed Name: Philip Lam Date: 12/3/2024

Signature: PL - Approved

Memorandum

DATE: December 12, 2024

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **CONTINUOUS AUDIT OF FINAL AVERAGE SALARY CALCULATIONS (Q3 2024)**

Recommendation

Receive and file.

Background/Discussion

Internal Audit's 2024 audit plan included an audit of the Final Average Salary (FAS) calculations. Internal Audit completed a review of FAS calculations for new benefit payments setup during the 3rd quarter of 2024.

Of the 30 FAS calculations reviewed from the 3rd quarter, Internal Audit noted no calculation exceptions.

However, there was one observation for OCERS Member Services management relating to using the FAS figures that had undergone the Quality Assurance review process for the final calculation instead of preliminary figures.

Submitted by:

PL- Approved

Philip Lam
Director of Internal Audit

Continuous Audit of Final Average Salary Calculations (Q3 2024)

Report Date: December 12, 2024

Internal Audit Department

OCERS Internal Audit
Continuous Audit of Final Average Salary Calculations (Q3 2024)
December 12, 2024

Table of Contents

Audit Objective and Scope

The objective of this audit was to provide an independent review of Final Average Salary (FAS) calculations used in new benefit payments setup by OCERS' Member Services, on a continuous basis.

A total of 118 new service retirement benefits were set up by Member Services for the 3rd Quarter of 2024. Internal Audit reviewed the FAS calculations for 30 of these benefits.

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.

OCERS Management established a $10 reportable threshold for benefit errors below which items are not included in the FAS error rate calculation. The reportable threshold was reviewed and approved at the December 2022 Audit Committee meeting. OCERS Management will continue to correct all errors, regardless of the dollar amount of the error. Internal Audit included a summary of the errors below the reportable threshold as an appendix in this report.

Conclusion / Executive Summary

Opinion: ***Satisfactory***

During our review, Internal Audit did not note any reportable FAS calculation errors with our test sample for a 100% accuracy rate. There was one observation. For further detail, please see page four.

Priority Observations 0	**Priority Observations** **None**
Important Observations 1	**Important Observations** **1. In our sample, six FAS calculation Excel files did not have formal evidence of a secondary QA (Quality Assurance) review performed by staff.**

Background

To finalize each retiree's FAS, Member Services uses a retirement transaction Excel spreadsheet. In the spreadsheet, Member Services inputs a preliminary FAS number calculated by the pension administration system after reviewing it, and also inputs other

manually calculated pensionable pay amounts not captured or calculated by the pension administration system. To calculate these amounts, the Retirement Program Specialist (RPS) must reference a variety of external data sources provided by employers, such as hourly rate history, timesheet data, and relevant Employer MOUs. A Member Services Quality Assurance team member then reviews the final FAS calculated by the RPS.

Internal Audit independently tested 30 FAS calculations from the July, August, and September 2024 benefit payroll months, and performed the following:

- Recalculated the member's preliminary FAS calculation and reviewed the documentation used by Member Services to support the preliminary FAS calculation.
- Recalculated Member Service's manual calculations of other pensionable pay item amounts (typically pensionable paid time off, or PTO) manually added to the preliminary FAS and reviewed the documentation used by Member Services to support their calculations.

Below is a summary of IA's error rate noted in the current audit, plus error rates noted in prior 2021, 2022, and 2023 audits:

Error Rates Prior to establishment of $10 Reportable Threshold				
Quarter	**Benefit Applications**	**Tested by Internal Audit (IA)**	**IA Error Count**	**IA Error Rate**
Q3/2021	75	75	6	8.0%*
Q4/2021	154	134	2	1.5%*
Q1/2022	196	50	2	4.0%*
Q2/2022	607	41	1	2.4%*
Q3/2022	151	40	0	0.0%
Error Rate using the $10 Reportable Threshold				
Q1/2023	102	40	0	0.0%
Q3/2023	128	40	2	5.0%
Q4/2024	118	30	0	0.0%

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

Copies to:

S. Delaney
D. Kim
M. Murphy
M. Serpa
B. Shott
S. Ardeleanu
J. Lamberson
Audit Committee Members

Observation Details	Management Action Plan (MAP) /MAP Responsible Party / Completion Date
Important Observations	
1. In our sample, six FAS calculation Excel files did not have formal evidence of a secondary QA (Quality Assurance) review performed by staff. During the audit, management informed Internal Audit that it had recently implemented a new secondary QA step to provide additional oversight when the initial QA step is conducted by less experienced staff. This secondary QA step is not intended to be universally applied to all FAS calculations but rather depends on the availability of qualified personnel to perform the review. Management also acknowledged that the recent promotion of an experienced QA team member to another department has temporarily reduced the availability of experienced personnel for the secondary QA step, though some experienced staff remain available. In six of the 30 samples reviewed, the secondary QA step was performed but it was not properly documented through formal sign-off or acknowledgment by the individual conducting the secondary QA review. **Risk**: While no errors were identified in the six FAS calculations, the lack of formal documentation limits the audit trail and accountability for the secondary QA step, potentially reducing its overall effectiveness.	**Management 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. **Management Action Plan Responsible Party:** Jeff Lamberson, Director of Retirement Operations Section – Member Services **Completion Date:** 03/31/2025

Categories of Observations (Control Exceptions):

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

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

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: December 12, 2024

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **AUDIT REPORT - OCERS EMPLOYER AUDIT**

Recommendation

Receive and file.

Background/Discussion

Internal Audit performed an employer audit of OCERS.

There were two observations identified in this audit. For one observation, the Personnel Action Notice form was not completed upon completion of an employee's temporary assignment. For the second observation, the OCERS Direct Employee Handbook does not detail premium pay items.

Submitted by:

PL - Approved

_____

Philip Lam
Director of Internal Audit

OCERS
Employer Audit

Report Date: December 12, 2024

Internal Audit Department

OCERS Internal Audit
OCERS
Employer Audit
December 12, 2024

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Audit Objective and Scope

The objective of this audit was to provide an independent review of the completeness and accuracy of Orange County Employee Retirement System (OCERS) 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 OCERS's payroll data submitted to OCERS between April 2022 and April 2024 on a sample basis.

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 two observations. For further detail, please see page three.

Priority Observations **0**	**Priority Observations** **None**
Important Observations **2**	**Important Observations** **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.** **2. The OCERS Direct Employee Handbook currently lacks a section detailing the premium pay items available to OCERS Direct employees.**

Internal Audit sampled 50 payroll transactions from OCERS's approximately 6,000 payroll transactions during our audit scope:

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

Background

OCERS, as a special district, is one of 13 active plan sponsors within the OCERS pension system.

OCERS and its employees contributed approximately $4.8 million and $5.8 million to the OCERS pension plan for the years ended December 31, 2022, and December 31, 2023, respectively. It has 122 active members. OCERS outsources its payroll transmittal process to The County of Orange Auditor-Controller's Office.

This is a first-time employer audit of OCERS.

Copies to OCERS:

S. Delaney
D. Kim
M. Murphy
B. Shott
M. Serpa
J. Lamberson
S. Ardeleanu
Audit Committee Members

Observations	Action Plan / Responsible Party / Completion Date
Important Observations	
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. For one member in our sample, a Personnel Action Notice (PAN) was not completed to formally document the employee's return to their previous position following the end of a temporary promotion. PAN forms serve a critical function within Human Resources (HR) as they formally record approved changes to employee status and pay rate. Although a PAN form was provided to show the start date of the temporary promotion, which was scheduled to conclude in 30 days, HR communicated to Internal Audit (IA) that current practice does not include using a PAN form to document the end date of a temporary promotion (OID 113865). **Risk:** The absence of a signed PAN form for the conclusion of the temporary promotion results in a lack of formal documentation for the employee's return to their previous pay rate and title.	**Action Plan:** The department will include in the payroll processing a process for using a PAN form to return employees to their regular pay. **Responsible Party:** Cynthia Hockless **Completion Date:** March 01, 2025
2. The OCERS Direct Employee Handbook currently lacks a section detailing the premium pay items available to OCERS Direct employees. The OCERS Direct Employee Handbook outlines various personnel policies, including those related to compensation. However, the compensation section lacks details on the two	**Action Plan:** OCERS is set to review the OCERS Direct handbook in 2025. This information will be included. **Responsible Party:** Cynthia Hockless

Observations	Action Plan / Responsible Party / Completion Date
types of premium pay items currently eligible for OCERS Direct employees: A. **Employee Certification Pay (ECP) –** This premium pay item provides an additional 5.5% of salary to employees holding specific professional certifications. Per OCERS policy, each eligible employee may receive ECP for only one qualifying certification. a. Currently eligible professional certifications include Chartered Financial Analyst (CFA), Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Security Professional (CISSP), and Society for Human Resource Management (SHRM). b. In our sample of 50 employees, four received ECP pay. B. **Lump Sum Bonus (LSB) Payment for Legacy Employees** – This premium pay is part of the Incentive Compensation Program (program), which provides performance-based bonuses to eligible Investment Division employees. The bonus amount is determined by specific metrics defined in the program. In our sample of 50 employees, one received LSB pay for the program. While we reviewed Board documentation approving all the above premium pay items, the OCERS Direct Employee Handbook does not formally document or describe these items. **Risk:** Without a description of eligible pay items, pay transparency may be somewhat limited for employees eligible to receive premium pay.	**Completion Date:** December 31, 2025

Categories of Observations (Control Exceptions):

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

Important Observations:
These items are important to the process owner and they do impact the control environment and/or could be observations for improving the efficiency and/or effectiveness of OCERS' operations. Management is expected to address 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: December 12, 2024

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **AUDIT REPORT - ORANGE COUNTY HEALTH CARE AGENCY EMPLOYER AUDIT**

Recommendation

Receive and file.

Background/Discussion

Internal Audit performed an employer audit of the Orange County Health Care Agency.

There were five observations identified in this audit relating to Extra Help Employees, the status of HCA members in OCERS Pension Administration System, and retroactive pay reported.

Submitted by:

PL - Approved

_____

Philip Lam
Director of Internal Audit

Orange County Health Care Agency
Employer Audit

Report Date: December 12, 2024

Internal Audit Department

OCERS Internal Audit
Orange County Health Care Agency
Employer Audit
December 12, 2024

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Audit Objective and Scope

The objective of this audit was to provide an independent review of the completeness and accuracy of Orange County Health Care Agency (HCA) payroll transmittal data. This includes, but is not limited to, the controls HCA and OCERS management have in place over the payroll transmittals.

The scope of the audit included HCA's payroll data submitted to OCERS between January 2022 and December 2023 on a sample basis.

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: ***Opportunities for Improvement***

Overall, Internal Audit identified opportunities to improve controls to ensure that payroll data is sent accurately and completely to OCERS. For further detail of the below observations please see page four.

Priority Observations **0**	**Priority Observations** **None**
Important Observations **5**	**Important Observations** **1. Retroactive pay reported for two employees was incorrect.** **2. Internal Audit identified 125 HCA members with an incorrect status in OCERS Pension Administration System (PAS).** **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.** **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.**

	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.

Internal Audit sampled 60 payroll transactions from HCA's approximately 156,000 payroll transactions during our audit scope:

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

Background

HCA is an agency within OCERS' largest employer, the County of Orange. HCA has approximately 3,000 employees across five divisions: Public Health Services, Mental Health & Recovery Services, Correctional Mental Health, Medical Health Services, and HCA Administration. HCA provides a wide range of services that support the health and safety for all residents of, and visitors to, the County of Orange. For the 2023-2024 fiscal year, HCA had an annual budget of $1.1 billion, which represented 24% of the County of Orange's general fund. HCA's budget included $408 million in salaries and benefits.

This is a first-time employer audit of HCA.

Copies to OCERS:

S. Delaney
D. Kim
M. Murphy
B. Shott
M. Serpa
J. Lamberson
S. Ardeleanu
Audit Committee Members

Copies to Employer:

Melissa Kinnaman, Employment Records & Transactions
Shauna Merryman, HR Team Manager
Kathryn Singh, Assistant Deputy Director
Lorraine Daniel, Director, Administrative Services

Observations	Action Plan / Responsible Party / Completion Date
Important Observations	
1. Retroactive pay reported for two employees was incorrect. From our sample of 60 payroll transactions, Internal Audit recalculated all payroll adjustments for retroactive pay reported on the transmittals. The recalculations performed identified **two members** whose retroactive pay was reported incorrectly. One member's retro pay was overpaid by $19.04 (**OID 313887**), and another member's retro pay was underpaid by $11.20 (**OID 293622**). This led to a difference in expected contributions of $18.01 (OID 313887) and $50.78 (OID 293622). **Risk:** Incorrect pensionable salary reported could result in an over/under-payment of contributions and benefits.	**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. **Responsible Party:** Michael Rogers, HCA Disbursements & Payroll Manager **Completion Date:** 09/12/2024
2. Internal Audit identified 125 HCA members with incorrect status in OCERS Pension Administration System (PAS). • During our review, Internal Audit identified **112 terminated members** that were classified as active members in the OCERS PAS. The PAS did not have a record of termination notices as is required to be sent by the employer for these members.	**Action Plan (HCA):** HCA has provided the requested documents to OCERS Member Services for the 112 members. **Responsible Party:** Kathryn Singh, Assistant Deputy Director **Completion Date:** 8/1/24

Observations	Action Plan / Responsible Party / Completion Date
• Internal Audit also identified **13 terminated members** in the PAS that had a termination notice on file but were classified as active members. **Risk:** Not having updated member status in the PAS could result in incorrect data submitted to OCERS actuary.	**Action Plan (OCERS):** OCERS has updated the PAS with the correct member status for the 13 active members. **Responsible Party:** Siliviu Ardeleanu, Director of Member & Employer Relations Section **Completion Date:** 8/1/24
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. HCA HR uses the *HCA Extra Help Employees Hours Worked* reports to track total hours worked by Extra Help employees. On these reports, there were employees that were also classified as contract employees. In FY 2022/2023 there were **67 contract employees** out of 81 Extra Help employees reported and in FY 2023/2024 there were **69 contract employees** out of the 101 Extra Help employees reported.	**Action Plan:** Hours are currently monitored by HCA HR and supervisors would receive notification if extra help employees were getting close to maximum hours. Extra help and contract employees (Professional Services Contractors – PSC) are utilized to supplement coverage and are licensed health care providers who possess a specialized skillset identified by the County. The Board of Supervisors (BOS) has an approved list of classifications and pay rates, that are separate from those of regular/County classifications. This aligns with 5.c.i. of the OCERS Membership Eligibility Requirements policy. Approval for PSC is based on the intention that coverage is needed when such gaps could lead to risk or liability for the County. The request form has a checkbox that indicates an intent

Observations	Action Plan / Responsible Party / Completion Date
In our sample of 10 extra help employees, four were contract employees. HRS provided copies of their employment contracts, but none included an *Extra Help Position Request* form as is done by with other Extra Help employees. **Risk:** Without Extra Help justification as described in OCERS policy, these employees would be considered regular employees who are eligible for membership if they should work over one year and 1040 hours. When the department is monitoring them for 1600 hours, an employee eligible for membership could be mistakenly excluded.	to utilize their services for less than 20 hours per pay period (under the 1600 limit for Extra Help employees set by OCERS Policy). 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). **Responsible Party:** Kathryn Singh, Assistant Deputy Director **Completion Date:** 11/06/24
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. Internal Audit selected a sample of ten Extra Help employees from the *HCA Extra Help Employees Hours Worked* reports for fiscal years 2021/2022, 2022/2023, and 2023/2024 and compared the total hours worked reported against approved timecards. The total hours tabulated from	**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. **Responsible Party:** Melissa Kinnaman – Employment Records and Transactions

Observations	Action Plan / Responsible Party / Completion Date
these timecards did not match the *HCA Extra Help Employees Hours Worked* reports for five out of 10 employees in our sample. For the five employees, the average amount of hours from the timecards missing from the Extra Help report was 268: • Employee #1 – 76 hours missing. • Employee #2 – 176 hours missing. • Employee #3 – 241 hours missing. • Employee #4 – 420 hours missing. • Employee #5 – 428.5 hours missing. **Risk:** Using a report that does not accurately and completely capture all hours worked by Extra Help employees could result in violations of OCERS Membership Eligibility Requirements Policy (OCERS policy), potentially resulting in employees who meet OCERS membership eligibility requirements not being enrolled by the employer.	**Completion Date:** 11/30/24
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. The Health Care Agency (HCA) Human Resources Department typically monitors the *HCA Extra Help Employees Hours Worked* report by fiscal year. As total hours worked by an Extra Help employee approach the	**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

Observations	Action Plan / Responsible Party / Completion Date
OCERS policy limit of 1,600 hours, HCA HR notifies the employee's supervisor. However, the report was designed to exclude hours worked by Extra-Help employees who have been hired as Regular employees or who have separated from the department. Therefore, reports do not provide a historical record of hours worked by <u>all</u> Extra Help employees in a fiscal year. Based on our review of the Extra Help Employees Hours Worked reports HCA provided, employees missing were as follows: • 44 employees were missing from the Fiscal Year 2021/2022 report. • 47 employees were missing from the Fiscal Year 2022/2023 report. • 15 employees were missing from the Fiscal Year 2023/2024 report. **<u>Risk</u>:** Using a report that does not accurately and completely capture all hours worked by all Extra Help employees for monitoring could result in violations of OCERS Membership Eligibility Requirements Policy (OCERS policy), potentially resulting in employees who meet OCERS membership eligibility requirements not being enrolled by the employer.	the discrepancy. Also, a request has been made to HRS Analytics to address the archiving error. **Responsible Party:** Melissa Kinnaman – Employment Records and Transactions **Completion Date(s):** 10/18/24 – Recommendations to upper management. 11/30/24 – Correction of archive error.

Categories of Observations (Control Exceptions):

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

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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”.

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Memorandum

DATE: December 12, 2024

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **INTERNAL AUDIT TRANSITION**

Presentation

Background/Discussion

The following presentation is to provide the Audit Committee a high-level overview of the short- and longer-term goals as the new Director of Internal Audit. I look forward to this opportunity to collaborate with the Audit Committee during this time of transition.

Submitted by:

PL- Approved

_____

Philip Lam
Director of Internal Audit

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Internal Audit Transition

Presented on December 12, 2024

Philip Lam

Director of Internal Audit

First 30 Days

- Get to know the Internal Audit (IA) team
- Assess status of current IA projects
- Review IA policies, procedures, and workpapers
- Introduce myself to department contacts and other stakeholders
- Familiarize myself with the OCERS Strategic and Business Plan

Q4 2024 Focus

- Finalize the Final Average Salary, OCERS Employer, and Orange County Health Care Agency audit reports
- Continue with fieldwork for the retiree payroll audit and the Alameda Phase 2 recalculation audit
- Close out the Local Agency Formation Commission Employer Audit
- Assess current IA operations
- Perform Annual Risk Assessment
- Develop 2025 Audit Plan

Q1 2025 Focus

- Finalize Annual Risk Assessment and 2025 Audit Plan
- Communicate results of assessment
- Obtain buy-in from key stakeholders
- Execute 2025 Audit Plan and continue to identify opportunities for enhancements as needed

Memorandum

DATE: December 12, 2024

TO: Members of the Audit Committee

FROM: Kwame Addo, Chief Compliance Officer

SUBJECT: **BIANNUAL REPORT ON THE OPERATION AND EFFECTIVENESS OF THE OCERS COMPLIANCE PROGRAM**

Background

The Chief Compliance Officer Charter states that the Chief Compliance Officer (CCO) will report to the Audit Committee on at least a biannual basis on the operation and effectiveness of the OCERS Compliance Program. The CCO provided his initial report to the committee at its June 2024 meeting. Thus, this report is the second compliance update for 2024.

The establishment of OCERS' comprehensive compliance program is on track with our two- to three-year estimate for full implementation. Consistent with the Compliance Program Charter, the development of the agency-wide compliance program includes:

- The creation and performance of department-specific risk assessments.
- The establishment of department-specific compliance control monitoring programs.
- The generation and delivery of department-specific and agency-wide compliance training programs.
- The design and implementation of compliance program effectiveness reports with dashboards that provide information on all compliance coverage areas.

As reported in the June 2024 Bi-Annual report to the Audit Committee, the OCERS team shows a basic understanding of compliance and is receptive to its more formal introduction. The willingness to participate creates opportunities to raise awareness and influence culture through strategic branding and messaging to make compliance an ingrained part of daily operations. These activities are essential to establishing a successful and sustainable program at OCERS. Creating a culture where employees understand the importance of compliance and operate in a well-informed environment rather than simply doing as instructed is a gradual process that takes time and commitment.

Development Approach

Compliance took its initial readiness assessment of OCERS' operating environment into consideration and focused the Program's 2024 development in three areas:

1. Holding activities to enhance compliance awareness and educate employees on the role of the compliance department.
2. Creating program documentation to support the framework for executing the Program's elements in 2025.
3. Acting as a compliance resource and advisor to build trust and familiarity while assisting frontline compliance efforts.

Based on the development approach, Compliance identified key activities for implementing the Program. It utilized a Gantt chart and Roadmap to show these tasks' sequential and interdependent nature. These activities include:

2024:

- Compliance Program design
- Training and awareness initiatives
- Program documents
- Observations management
- Compliance reporting

2025:

- Observations management (full roll-out to include risk assessment and control monitoring results)
- Risk assessment
- Control monitoring
- Education and Training
- Compliance reporting

2026:

- Education and Training (full roll-out to include department-specific and agency-wide curriculum)
- Program effectiveness benchmarking
- Finalized comprehensive compliance reporting

Sub-activities support each key area to ensure a comprehensive and methodical approach to implementation with a dependency on additional Compliance department staffing.

During the different stages of program development, Compliance will issue reports to show the results of activities such as risk assessments, control monitoring, and education and training as sub and key activities are implemented. Reporting started in 2024 with a comprehensive report that measures all program data elements to show department performance across all areas covered by Compliance, targeted for completion in 2026. The comprehensive report and other compliance reports will be subject to continuous improvement opportunities based on Audit Committee and management feedback in addition to industry best practice standards.

Awareness and Educational Programs

During the first half of the year, and as reported in the June 2024 Bi-Annual Report to the Audit Committee, a Compliance Awareness Survey to assess employees' knowledge of compliance and establish an initial benchmark metric was well received with participation from all levels of management and staff. The survey was followed by additional events during the second half of the year, including:

- Chief Executive Officer (CEO) Compliance Introduction: A one-and-a-half-minute video of the CEO discussing the Compliance Program and its importance to OCERS (*Video Link:* https://youtu.be/WFekWhIkP5w).

- Chief Compliance Officer (CCO) Compliance Fireside Chat: A three-minute video with the CCO discussing compliance and upcoming events with the Director of Communications (*Video Link:* https://youtu.be/we-p9QPoFeA).
- Compliance Open House: Drop-in event that allowed staff to interact with the CCO and Legal to gain insights into the critical partnership role Compliance plays in upholding OCERS' Mission, Vision, and Values.
- Society of Corporate Compliance and Ethics Week: OCERS' first-time participation in a globally organized week to spotlight the importance of compliance and ethics. OCERS' weeklong activities featured daily compliance-themed activities, including trivia questions, word games, a what's wrong with the image exercise to promote clean desk practices to safeguard sensitive information, an interactive lunch, a learning event, and a recap of the week's events.
- Ethics & Fraud Hotline Poster: Designed and posted in breakrooms for enhanced visibility and easy access to reporting information, including a QR code.
- Ethical Decision-Making Tree Poster: Designed and posted in breakrooms to offer a visual guide to help break down ethical decision-making into step-by-step questions.
- Do the Right Thing Poster: Designed and posted in breakrooms to promote a "Speak Up" culture when things don't seem right.
- Email signature link to Ethics & Fraud Hotline: Currently in use by Compliance, Legal, Internal Audit, and HR as an easy-access reporting option.
- Dedicated Compliance email: Currently in use to provide more visibility to messages, offer employees a direct communication line, and provide Compliance with a way to manage inbox messages more effectively.

The listed events and resources are new at OCERS. Awareness events are a cornerstone of fostering a culture of compliance and ethical conduct at OCERS. Compliance is committed to organizing ongoing awareness activities that educate and empower employees to identify risks, ask questions, and report concerns without hesitation or fear of retaliation.

Program Documents

Compliance program documents serve as the foundation and roadmap for administering program elements. Having the program documents in place before implementing the program ensures a structured and effective rollout by providing a clear framework that outlines purpose, scope, process, and alignment with the Program's risk governance model. Program documents on the elements of "Compliance Reporting" and "Training and Education" are scheduled to be completed by March 31, 2025.

The following program documents were drafted and are attached:

Risk Assessment

The purpose of the Risk Assessment Program is to establish a structured approach to risk assessments that reflects OCERS' culture and values and protects its assets, reputation, employees, and stakeholders. The Program provides an outline of risk assessment processes that are designed to mitigate legal and ethical compliance risks with the following key objectives:

- Define the methodology for identifying, assessing, and managing risks.
- Assign roles and responsibilities for risk assessment activities.

- Provide a consistent risk management approach across OCERS.
- Provide an early warning process for identifying and evaluating compliance and ethics threats.

The Risk Assessment Program applies to all departments and covers key risks, including:

- Operational Risk: Risk of loss due to ineffective internal day-to-day processes, procedures, employee errors, system failures, or external events.
- Financial Risk: Risk of loss from financial operations due to improper financial reporting, controls, or improper handling of invoices.
- Reputational Risk: Risk of reputational damage due to non-compliance with laws, regulations, ethical standards, or internal policies.
- Legal/Compliance Risk: Risk of legal and regulatory action and exposure to fines due to operational disruptions, financial loss, failure to comply with laws, regulations, and internal policies.

Control Monitoring

Compliance control monitoring is a key component of effective risk governance and ensures OCERS' adherence to the County Employees Retirement Law of 1937 (CERL) and other applicable Laws, Rules, and Regulations (LRR), as well as OCERS' policies. It demonstrates a commitment to OCERS' values, establishes structure, and defines oversight responsibility. The CERL is the governing authority under which OCERS administers the retirement system. The CERL, LRR, and OCERS Board policies provide the authority for and requirements of agency procedures and internal policies. The Compliance Control Monitoring Program is a supplemental prevention and detection risk governance tool that ensures internal policies and procedures effectively address legal requirements. It is a proactive Compliance approach to work with departments to find and fix current and emerging risks before they escalate. It is not intended to be an audit or investigation. Compliance is responsible for continuously monitoring controls to ensure they are functioning as intended to mitigate risks.

Ethics and Fraud Hotline

The Ethics and Fraud Hotline Program is a key component of effective risk governance that provides a confidential and secure platform for employees, vendors, members, and the public at large to report concerns about suspected fraud, waste, or abuse. The Program supports OCERS' commitment to the highest standards of ethical behavior. Other benefits of the Program include:

- Early Detection and Prevention: The hotline allows for early detection of potential risks, fraud, or unethical conduct and enables timely interventions.
- Protection of Organizational Integrity: By addressing issues promptly, the agency can maintain its reputation and the trust of stakeholders.
- Encouragement of Ethical Culture: It empowers employees to speak up without fear of retaliation, fostering a culture of openness and transparency.

To ensure the independence and integrity of the reporting process, all reports made through the 24-hour Ethics and Fraud Hotline are handled by NAVEX, a third-party provider. This partnership helps to eliminate potential biases and conflicts of interest, ensuring that all reports are treated with objectivity and impartiality. Calls to the Hotline are handled by a NAVEX specialist trained to ask appropriate questions and gather additional information. Reporters have the option to remain anonymous when submitting reports through NAVEX. If the

caller wishes to remain anonymous, a code number is issued for identification purposes to allow the caller to receive feedback or answer questions regarding the report. Calls to the Helpline are not recorded, and there is no caller identification or automatic callback on the phone lines. Employees and stakeholders can file reports online as an alternative to speaking with a NAVEX specialist and will remain anonymous if preferred. Reports are considered allegations until investigations are completed.

Observations Management Program

Observations management is a key component of effective risk governance. "Observations" are Internal Audit findings of department practices inconsistent with established procedures. Observations may also result from undocumented procedures and undefined practices. Differences between existing practices and documented procedures create process gaps. Gaps that are not remediated timely can lead to waste, errors, inefficiencies, stakeholder dissatisfaction, and law violations. Consequently, observation identification, as part of the Observation Management Lifecycle, is a critical tool in overseeing the control environment and the timely development of Management Action Plans (MAP). The control environment consists of the internal policies, procedures, processes, and functions of Compliance and Internal Audit necessary to fulfill OCERS' risk mitigation objectives.

- MAPs provide department responses to observations and outline remediation action plans and target completion dates. MAP information is included in the MAP Status and Aging Reports to provide progress updates to Executive management and the Audit Committee. Action plans should be concise and summarize how management plans to address the risk identified in the observation. All plans should resolve the specific exceptions identified, be expanded to cover the full population and implement a long-term solution to the root cause. Compliance may provide independent review and challenge of corrective actions as part of the Observations Management Process. This ensures a holistic and consistent approach to risk management and makes the adequacy and appropriateness of MAPS an essential component towards their successful closure. Corrective actions are steps taken by departments to remediate and close observations. The steps support MAPs and may include procedure updates, implementing new controls, and retraining employees. Departments review completed corrective actions with Compliance for feedback before submitting MAP closure request documentation to Internal Audit. Closure request documentation offers evidence of completed observation response activities and may include updated policy/procedure, proof of process changes, and employee retraining.

Partnerships

In OCERS' three lines of defense risk governance model, Compliance functions as a partner and works collaboratively with departments and stakeholders. In its second line of defense role, Compliance provides guidance, identifies risks, and assists with implementing effective controls. Compliance continued to build its relationships across departments and put its Charter-defined role into practice throughout the year. Examples of such partnership efforts include:

Internal Audit

- Ongoing interactions and review of Management Action Plans to ensure remediation activity timeliness and recommend closure, as appropriate.

- Collaborated to conduct a review of OCERS' contract oversight in response to the CEO's request after media coverage of alleged misuse of funds not related to OCERS.

Other Departments

- Ongoing interactions to review and provide guidance on Management Action Plans to ensure closure timeliness.
- Participated in sessions with Member Services and provided guidance on the design of a fraud detection and prevention training program.
- Collaborated with Human Resources to conduct an initial risk assessment to identify/prioritize risk and assess existing controls.
- Acted as back-up to Enterprise Project Management for the technical writers on the Master Repository Project.
- Conducted sensitive material handling training for the Disability Team.
- Participated in vendor-hosted design and testing sessions for reports migrating to the upgraded SharePoint site.
- Participated in sessions to plan for earthquake preparedness activities.
- Assumed responsibility for procedure lifecycle management.

Third-Party Vendor Engagement Assessments

Compliance assessed vendor options to identify solutions appropriate for the current state of development.

- Broadcat: Applies behavioral approach to compliance communications and training and offers already designed templates, microlearning tools, and videos that can be customized for OCERS. This includes job aids, checklists, and other compliance tools that help employees understand what they should do, when they should do it, and clarifies how compliance and ethics applies to regular job duties. Consultations with design experts are included in the subscription.
    - Compliance selected Broadcat and will use its services in 2025 to augment in-house development activities.
- Kaplan & Walker LLP: Compliance and ethics law firm that assist organizations in a wide range of matters relating to compliance and business ethics. Kaplan & Walker attorneys established in the compliance industry, speak on compliance and ethics issues, serve on the Advisory Board's of the Compliance and Ethics Manual, a publication of the Society of Corporate Compliance and Ethics.
    - Compliance selected Kaplan & Walker LLP for consultation services in 2025, as needed.
- Gartner: Provides guidance and tools to support various fields, including compliance, and has LACERA and the Employees' Retirement System of Hawai'i. Compliance received first-hand feedback from both systems.
    - Gartner's suite of solutions is all-inclusive and cannot be customized for clients to select specific services based on program development stages. At this stage of OCERS' Compliance Program development and the CCO's Certified Compliance & Ethics Professional designation, the cost of the two Gartner licenses was not considered cost-effective. Gartner will be considered during the more advanced stages of program development.

- Winter Investigations: Global advisory service that provides workplace investigation process design, investigations training, case management, and coaching for clients. Winter Investigations' services are currently not a fit for OCERS' Compliance Program.
- Workiva: A software company that provides a cloud-based platform for Governance Risk and Compliance (GRC) systems that offers integrated solutions in a single platform. Internal Audit invited Compliance to an overview and product demonstration. Although a viable solution for OCERS in a more mature stage of risk governance, the consensus was that a GRC system exploration should be undertaken as an enterprise-wide consideration to include Information Security, Finance, and other stakeholders at the appropriate time.

DOJ Evaluation of Corporate Compliance Programs

The Department of Justice (DOJ) updated its Evaluation of Corporate Compliance Program (ECCP) guidance in September 2024. First published in 2017, the ECCP offers guidance on areas the DOJ evaluates in assessing the effectiveness of compliance programs. OCERS' Compliance Program Charter is based on the standards set forth in the ECCP.

The following is a summary of the recent guidance updates:

- Expands guidance on technology risk assessments, mergers and acquisitions, and data analysis.
- New guidance for emerging technologies such as artificial intelligence.
- Increases emphasis on creating a culture that encourages employees to speak up.
- Encourages companies to incorporate lessons learned from themselves and peers into their programs.
- Adds emphasis on staffing, stature, and resources granted to the program.

Risks and Challenges

- Resources: The risks of not having adequately trained resources include potential development delays and loss of momentum with the enthusiasm being created to influence a culture of Compliance at OCERS.
- Artificial Intelligence (AI): Rapid integration of AI at a rate that outpaces regulations has the DOJ and FBI increasing focus on the legal and cybercrimes implications of AI technology. Emerging risk areas include:
    - Accuracy of inputs and outputs.
    - Data transparency and intellectual property disputes.
    - Privacy and security breaches.
    - Hallucinations leading to incorrect or misleading information.

Attachments.

I-2a Biannual Report on the Operation and Effectiveness of the OCERS Compliance Program Presentation

I-2b Compliance Program Roadmap Presentation

I-2c Compliance Program HIVE Gantt Chart

I-2d Ethics and Fraud Hotline Program Governance Document

I-2e Observations Management Program Governance Document

I-2f Risk Assessment Program Governance Document

I-2g Compliance Control Monitoring Program Governance Document

Submitted by:

KA- Approved

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Kwame Addo
Chief Compliance Officer

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

Compliance Program Update

December 12, 2024

Kwame Addo
Chief Compliance Officer

Compliance Program

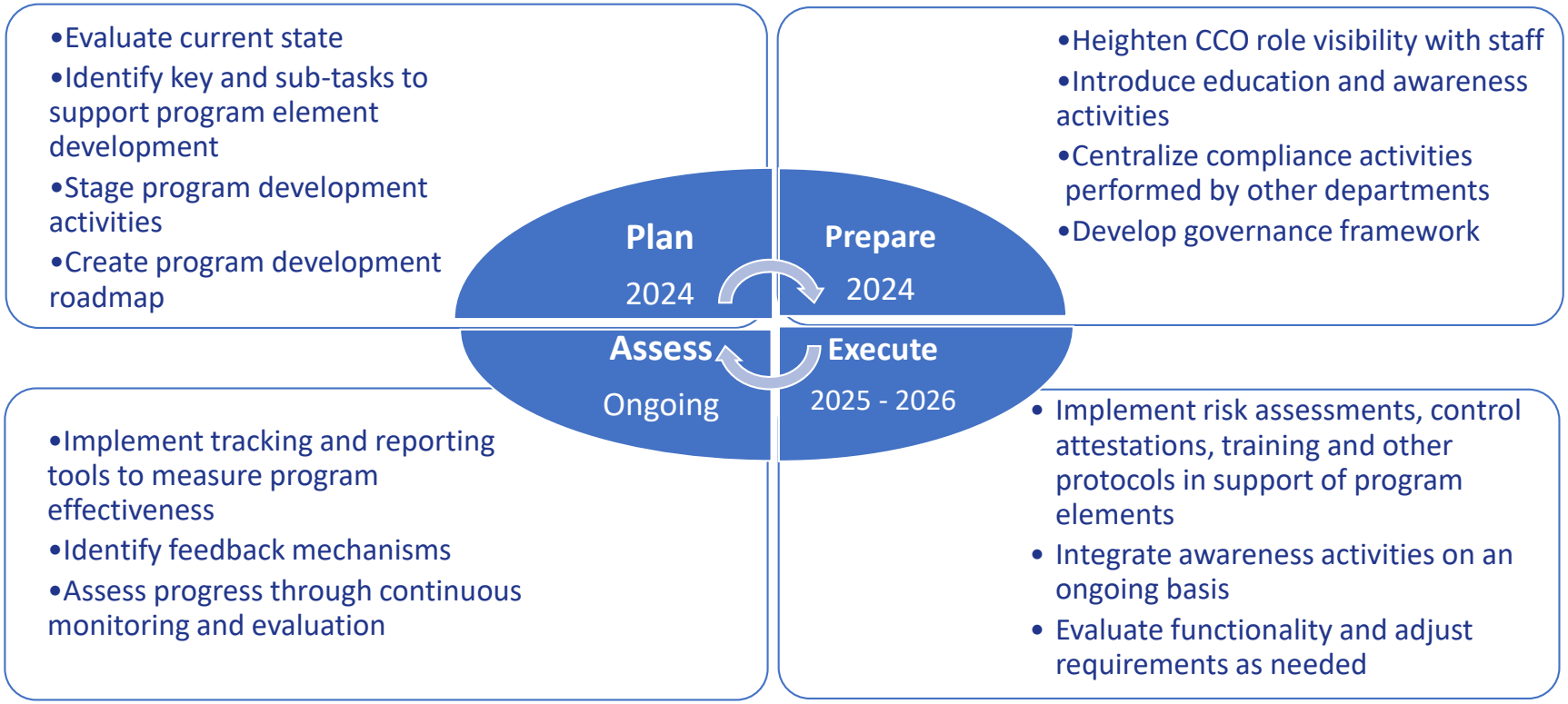
Purpose

- Create risk-aware operating environment.
- Serve as an advocate in promoting & establishing compliance industry best practice standards.
- Implement risk-based compliance management programs.
- Create agency-wide culture of adherence to legal & ethical standards.

Scope

- Mitigate risks of violating law, Board policy, or procedure.
- Design based on U.S. Sentencing Guidelines for effective compliance & ethics programs.
- Prioritize risk assessment response based on resources.
- Serve as a proactive partner for providing objective guidance.

DEVELOPMENT APPROACH



RISK GOVERNANCE MODEL

FIRST

Line of Defense

Process Owner (Proactive)

DEPARTMENTS

- Identify, assess, and effectively manage all operational and compliance risk
- Adhere to all policies, procedures, and processes

SECOND

Line of Defense

Embedded in Processes (Proactive)

COMPLIANCE / LEGAL

- Provide independent challenge, review, and monitor First Line of Defense activities
- Promote strong risk and compliance culture
- Provide guidance with law interpretations and department applicability

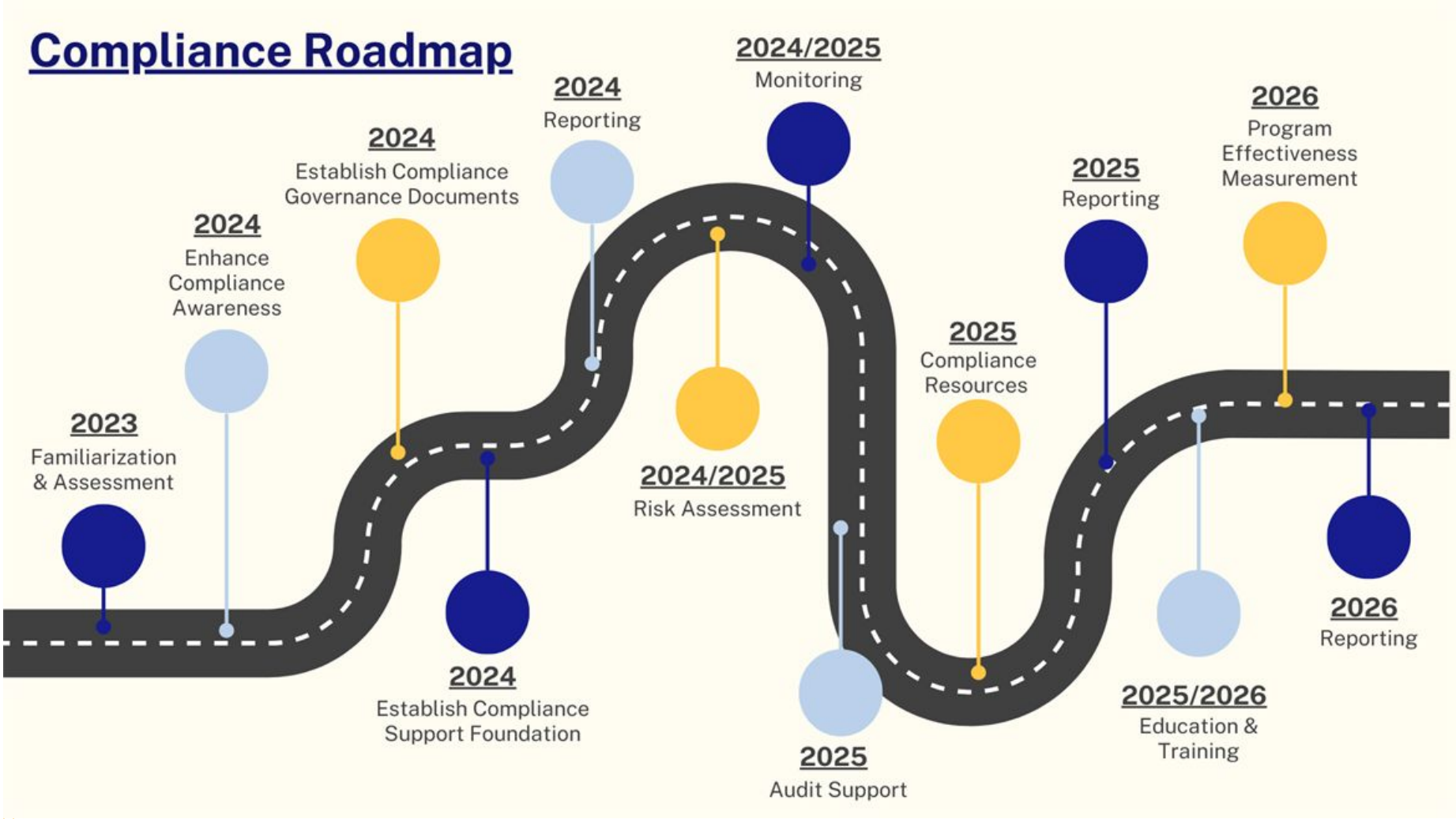
THIRD

Line of Defense

Outside of Processes (Reactive)

INTERNAL AUDIT

- Analyze effectiveness of governance, risk management, operational controls, and compliance management
- Assess adequacy, design, and ongoing effectiveness of OCERS' governance framework


Compliance Roadmap
2023
Familiarization & Assessment
2024
Enhance Compliance Awareness
2024
Establish Compliance Governance Documents
2024
Establish Compliance Support Foundation
2024
Reporting
2024/2025
Risk Assessment
2024/2025
Monitoring
2025
Audit Support
2025
Compliance Resources
2025
Reporting
2025/2026
Education & Training
2026
Program Effectiveness Measurement
2026
Reporting

2024

Introduce Compliance Basics & Initial Framework Documentation

Orange County Employees Retirement System

Program Governance Documents

- Chief Compliance Officer & Program Charters adopted by the Board in April.
- Create Compliance Program element documents.

Ownership

- Second line of defense guidance, review, & challenge of Management Action Plan remediation evidence before final Internal Audit review.
- Operational Risk Report.
- Ethics & Fraud Hotline.

Partnership & Collaboration

- Member Services Fraud Busters training material design.
- Human Resources control environment assessment.
- Disability team sensitive material handling training.

Partnership & Collaboration - Continued

- SharePoint migration document approval flow design and testing.
- Back-up to Enterprise Project Management for Master Repository for Procedures.
- Annual Board Policy Review.
- Procedures Lifecycle management.

Vendor Assessments

- Broadcat: Behavioral approach to communications and training with customizable microlearning tools and videos.
- Kaplan & Walker LLP: Compliance and ethics law firm.
- Gartner: Consultative guidance and support tools for various fields.
- Winter Investigations: Global advisory service for investigation training and design.

2024 Enhanced Compliance Awareness

Compliance Program Introduction Survey

Steve’s Introduction Video

Kwame's Q&A Video

Compliance Open House

SCCE Compliance Week

2024 Year in Review

2025

Establish Regulatory Foundation

Orange County Employees Retirement System

Compliance Resources

- Add Compliance department staff.
- Establish compliance champions program.

Risk Assessment: 2025 – 2026

- Establish risk assessment protocol to include methodology, frequency, and reporting.

Compliance Control Monitoring: 2025 – 2026

- Conduct process surveys to identify relevant sections of CERL, rules, and regulations for each department.
- Create inventory of applicable laws, rules, and regulations
- Design procedural controls to ensure adherence to laws, rules, and regulations
- Implement ongoing control monitoring and attestation program
- Establish Compliance Program procedures (cont.)

Education & Training: 2025 - 2026

- Develop compliance training program to include tracking, participation rates, & timely completion of assigned courses.
- Create content for agency-wide & department-specific training material.
- Launch educational videos & training resources.
- Establish metrics to assess training program effectiveness.
- Redesign the OCERS Direct Code of Ethics.

Audit Support

- Redesign compliance issues tracking and management program.
- Develop protocol to support departments and Internal Audit with Management Action Plans.

2026

Establish Regulatory Foundation

Orange County Employees Retirement System

Program Effectiveness Measurement

- Complete development of compliance procedures.
- Create compliance program benchmarking tools.
- Develop control monitoring attestation material.
- Finalize agency-wide and departments-specific risk assessments.
- Implement feedback mechanism for training evaluations.
- Launch compliance surveys & tools to gather employee feedback.

Reporting

- Complete the development of comprehensive metrics for reporting on compliance oversight activities.

Thank you!

Kwame Addo
Chief Compliance Officer

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ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

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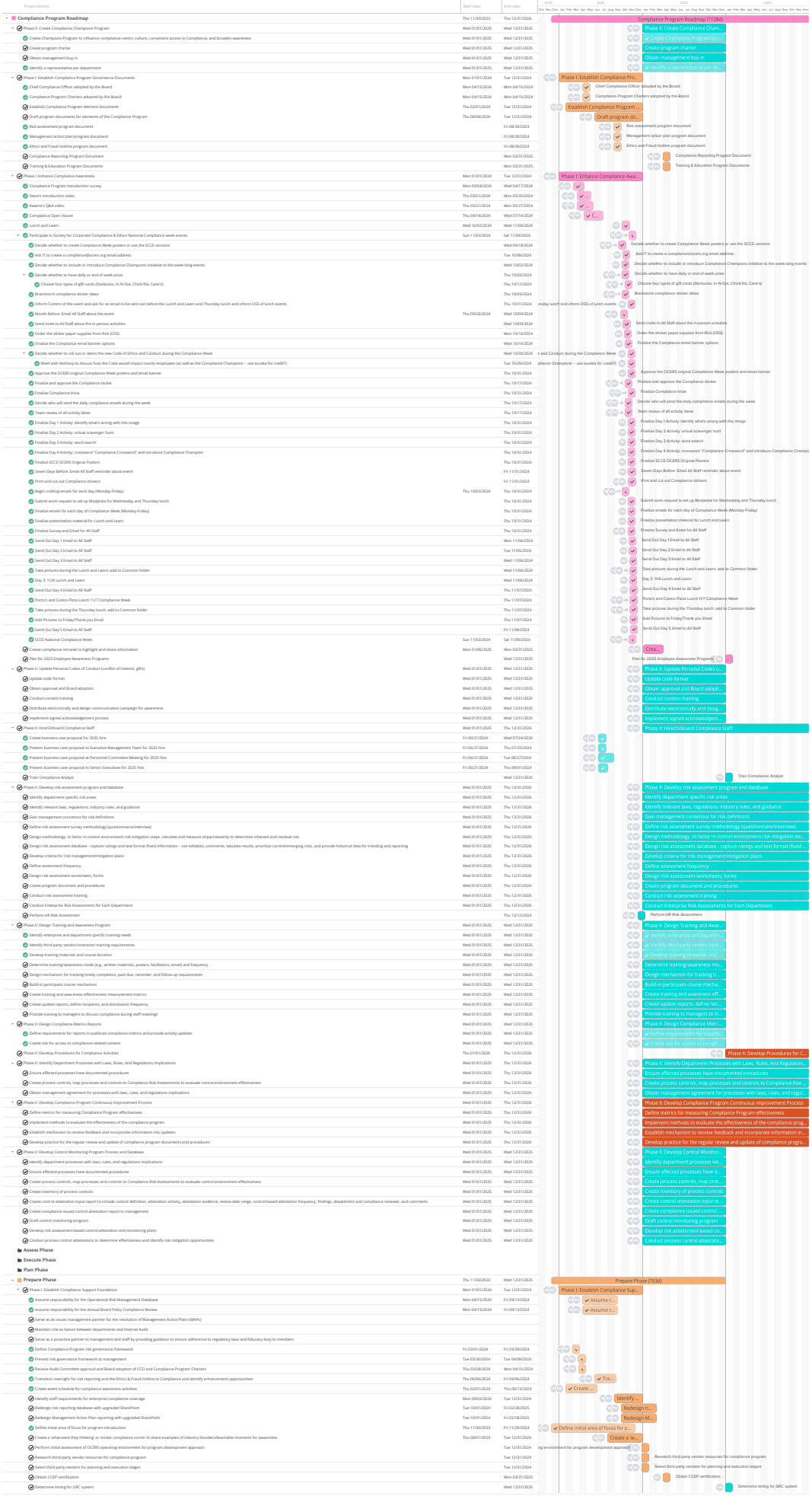

Project/Action
Start date
End date
2025
2026
2027
Compliance Program Roadmap
Thu 11/30/2023
Thu 12/31/2026
Compliance Program Roadmap [1128d]
Phase I: Create Compliance Champions Program
Wed 01/01/2025
Wed 12/31/2025
Phase II: Create Compliance Champ...
Create Champions Program to influence compliance-centric culture, convenient access to Compliance, and broaden awareness
Wed 01/01/2025
Wed 12/31/2025
Create Champions Program to i...
Create program charter
Wed 01/01/2025
Wed 12/31/2025
Create program charter
Obtain management buy-in
Wed 01/01/2025
Wed 12/31/2025
Obtain management buy-in
Identify a representative per department
Wed 01/01/2025
Wed 12/31/2025
Identify a representative per de...
Phase I: Establish Compliance Program Governance Documents
Mon 01/01/2024
Tue 12/31/2024
Phase I: Establish Compliance Pro...
Chief Compliance Officer adopted by the Board
Mon 04/15/2024
Mon 04/15/2024
Chief Compliance Officer adopted by the Board
Compliance Program Charters adopted by the Board
Mon 04/15/2024
Mon 04/15/2024
Compliance Program Charters adopted by the Board
Establish Compliance Program element documents
Thu 02/01/2024
Tue 12/31/2024
Establish Compliance Program ...
Draft program documents for elements of the Compliance Program
Thu 06/06/2024
Tue 12/31/2024
Draft program do...
Risk assessment program document
Fri 08/30/2024
Risk assessment program document
Management action plan program document
Fri 08/30/2024
Management action plan program document
Ethics and Fraud Hotline program document
Fri 08/30/2024
Ethics and Fraud Hotline program document
Compliance Reporting Program Document
Mon 03/31/2025
Compliance Reporting Program Document
Training & Education Program Documents
Mon 03/31/2025
Training & Education Program Documents
Phase I: Enhance Compliance Awareness
Mon 01/01/2024
Tue 12/31/2024
Phase I: Enhance Compliance Awa...
Compliance Program introduction survey
Mon 03/04/2024
Wed 04/17/2024
Steve's introduction video
Thu 03/21/2024
Mon 05/20/2024
Kwame's Q&A video
Thu 03/21/2024
Mon 05/27/2024
Compliance Open House
Thu 04/18/2024
Wed 07/10/2024
C...
Lunch and Learn
Wed 10/02/2024
Wed 11/06/2024
Participate in Society for Corporate Compliance & Ethics National Compliance week events
Sun 11/03/2024
Sat 11/09/2024
Decide whether to create Compliance Week posters or use the SCCE versions
Wed 09/18/2024
Decide whether to create Compliance Week posters or use the SCCE versions
Ask IT to create a compliance@scers.org email address
Tue 10/08/2024
Ask IT to create a compliance@scers.org email address
Decide whether to include or introduce Compliance Champions initiative to the week-long events
Wed 10/02/2024
Decide whether to include or introduce Compliance Champions initiative to the week-long events
Decide whether to have daily or end of week prize
Thu 10/03/2024
Decide whether to have daily or end of week prize
Choose four types of gift cards (Starbucks, In-N-Out, Chick-fila, Cana's)
Thu 10/17/2024
Choose four types of gift cards (Starbucks, In-N-Out, Chick-fila, Cana's)
Brainstorm compliance sticker ideas
Thu 10/03/2024
Brainstorm compliance sticker ideas
Inform Comms of the event and ask for an email to be sent out before the Lunch and Learn and Thursday lunch and inform OSG of lunch events
Thu 10/31/2024
...mday lunch and inform OSG of lunch events
Month Before: Email All Staff about the event
Thu 09/26/2024
Wed 10/09/2024
Send invite to All Staff about the in-person activities
Wed 10/09/2024
Send invite to All Staff about the in-person activities
Order the sticker paper supplies from Rick (OSG)
Mon 10/14/2024
Order the sticker paper supplies from Rick (OSG)
Finalize the Compliance email banner options
Wed 10/16/2024
Finalize the Compliance email banner options
Decide whether to roll out or demo the new Code of Ethics and Conduct during the Compliance Week
Wed 10/30/2024
...s and Conduct during the Compliance Week
Meet with Anthony to discuss how the Code would impact county employees (as well as the Compliance Champions -- use eureka for credit?)
Tue 10/29/2024
...pliance Champions -- use eureka for credit?)
Approve the OCERS original Compliance Week posters and email banner
Thu 10/31/2024
Approve the OCERS original Compliance Week posters and email banner
Finalize and approve the Compliance sticker
Thu 10/17/2024
Finalize and approve the Compliance sticker
Finalize Compliance trivia
Thu 10/31/2024
Finalize Compliance trivia
Decide who will send the daily compliance emails during the week
Thu 10/17/2024
Decide who will send the daily compliance emails during the week
Team review of all activity ideas
Thu 10/17/2024
Team review of all activity ideas
Finalize Day 1 Activity: identify what's wrong with this image
Thu 10/31/2024
Finalize Day 1 Activity: identify what's wrong with this image
Finalize Day 2 Activity: virtual scavenger hunt
Thu 10/31/2024
Finalize Day 2 Activity: virtual scavenger hunt
Finalize Day 3 Activity: word search
Thu 10/31/2024
Finalize Day 3 Activity: word search
Finalize Day 4 Activity: crossword "Compliance Crossword" and introduce Compliance Champion
Thu 10/31/2024
Finalize Day 4 Activity: crossword "Compliance Crossword" and introduce Compliance Champi
Finalize SCCE OCERS Original Posters
Thu 10/31/2024
Finalize SCCE OCERS Original Posters
Seven Days Before: Email All Staff reminder about event
Fri 11/01/2024
Seven Days Before: Email All Staff reminder about event
Print and cut out Compliance stickers
Fri 11/01/2024
Print and cut out Compliance stickers
Begin crafting emails for each day (Monday-Friday)
Thu 10/03/2024
Thu 10/31/2024
Submit work request to set up Modjeska for Wednesday and Thursday lunch
Thu 10/31/2024
Submit work request to set up Modjeska for Wednesday and Thursday lunch
Finalize emails for each day of Compliance Week (Monday-Friday)
Thu 10/31/2024
Finalize emails for each day of Compliance Week (Monday-Friday)
Finalize presentation material for Lunch and Learn
Thu 10/31/2024
Finalize presentation material for Lunch and Learn
Finalize Survey and Email for All Staff
Thu 10/31/2024
Finalize Survey and Email for All Staff
Send Out Day 1 Email to All Staff
Mon 11/04/2024
Send Out Day 1 Email to All Staff
Send Out Day 2 Email to All Staff
Tue 11/05/2024
Send Out Day 2 Email to All Staff
Send Out Day 3 Email to All Staff
Wed 11/06/2024
Send Out Day 3 Email to All Staff
Take pictures during the Lunch and Learn; add to Common folder
Wed 11/06/2024
Take pictures during the Lunch and Learn; add to Common folder
Day 3: 11/6 Lunch and Learn
Wed 11/06/2024
Day 3: 11/6 Lunch and Learn
Send Out Day 4 Email to All Staff
Thu 11/07/2024
Send Out Day 4 Email to All Staff
Porto's and Costco Pizza Lunch 11/7 Compliance Week
Thu 11/07/2024
Porto's and Costco Pizza Lunch 11/7 Compliance Week
Take pictures during the Thursday lunch; add to Common folder
Thu 11/07/2024
Take pictures during the Thursday lunch; add to Common folder
Add Pictures to Friday/Thank you Email
Thu 11/07/2024
Add Pictures to Friday/Thank you Email
Send Out Day 5 Email to All Staff
Fri 11/08/2024
Send Out Day 5 Email to All Staff
SCCE National Compliance Week
Sun 11/03/2024
Sat 11/09/2024
Create compliance intranet to highlight and share information
Mon 01/06/2025
Mon 03/31/2025
Crea...
Plan for 2025 Employee Awareness Programs
Wed 12/01/2025
Plan for 2025 Employee Awareness Programs
Phase II: Update Personal Codes of Conduct (conflict of interest, gifts)
Wed 01/01/2025
Wed 12/31/2025
Phase II: Update Personal Codes o...
Update code format
Wed 01/01/2025
Wed 12/31/2025
Update code format
Obtain approval and Board adoption
Wed 01/01/2025
Wed 12/31/2025
Obtain approval and Board adopti...
Conduct content training
Wed 01/01/2025
Wed 12/31/2025
Conduct content training
Distribute electronically and design communication campaign for awareness
Wed 01/01/2025
Wed 12/31/2025
Distribute electronically and desig...
Implement signed acknowledgement process
Wed 01/01/2025
Wed 12/31/2025
Implement signed acknowledgem...
Phase II: Hire/Onboard Compliance Staff
Wed 01/01/2025
Thu 12/31/2026
Phase II: Hire/Onboard Compliance Staff
Create business case proposal for 2025 hire
Fri 06/21/2024
Wed 07/24/2024
Present business case proposal to Executive Management Team for 2025 hire
Fri 06/21/2024
Thu 07/25/2024
Present business case proposal at Personnel Committee Meeting for 2025 hire
Fri 06/21/2024
Tue 08/27/2024
Present business case proposal to Senior Executives for 2025 hire
Fri 06/21/2024
Thu 08/01/2024
Train Compliance Analyst
Wed 12/01/2025
Train Compliance Analyst
Phase II: Develop risk assessment program and database
Wed 01/01/2025
Thu 12/31/2026
Phase II: Develop risk assessment program and database
Identify department specific risk areas
Wed 01/01/2025
Thu 12/31/2026
Identify department specific risk areas
Identify relevant laws, regulations, industry rules, and guidance
Wed 01/01/2025
Thu 12/31/2026
Identify relevant laws, regulations, industry rules, and guidance
Gain management consensus for risk definitions
Wed 01/01/2025
Thu 12/31/2026
Gain management consensus for risk definitions
Define risk assessment survey methodology (questionnaire/interview)
Wed 01/01/2025
Thu 12/31/2026
Define risk assessment survey methodology (questionnaire/interview)
Design methodology to factor in control environment risk mitigation steps, calculate and measure impact/severity to determine inherent and residual risk
Wed 01/01/2025
Thu 12/31/2026
Design methodology to factor in control environment risk mitigation ste...
Design risk assessment database - capture ratings and text format (fixed information – not editable), comments, tabulate results, prioritize current/emerging risks, and provide historical data for trending and reporting
Wed 01/01/2025
Thu 12/31/2026
Design risk assessment database - capture ratings and text format (fixed ...
Develop criteria for risk management/mitigation plans
Wed 01/01/2025
Thu 12/31/2026
Develop criteria for risk management/mitigation plans
Define assessment frequency
Wed 01/01/2025
Thu 12/31/2026
Define assessment frequency
Design risk assessment worksheets, forms
Wed 01/01/2025
Thu 12/31/2026
Design risk assessment worksheets, forms
Create program document and procedures
Wed 01/01/2025
Thu 12/31/2026
Create program document and procedures
Conduct risk assessment training
Wed 01/01/2025
Thu 12/31/2026
Conduct risk assessment training
Conduct Enterprise Risk Assessments for Each Department
Wed 01/01/2025
Thu 12/31/2026
Conduct Enterprise Risk Assessments for Each Department
Perform HR Risk Assessment
Thu 12/13/2024
Perform HR Risk Assessment
Phase II: Design Training and Awareness Program
Wed 01/01/2025
Wed 12/31/2025
Phase II: Design Training and Awar...
Identify enterprise and department specific training needs
Wed 01/01/2025
Wed 12/31/2025
Identify enterprise and departm...
Identify third-party vendor/contractor training requirements
Wed 01/01/2025
Wed 12/31/2025
Identify third-party vendor/cont...
Develop training materials and course duration
Wed 01/01/2025
Wed 12/31/2025
Develop training materials and...
Determine training/awareness mode (e.g., written materials, posters, facilitators, email) and frequency
Wed 01/01/2025
Wed 12/31/2025
Determine training/awareness mo...
Design mechanism for tracking timely completion, past due, reminder, and follow-up requirements
Wed 01/01/2025
Wed 12/31/2025
Design mechanism for tracking ti...
Build-in participant course mechanism
Wed 01/01/2025
Wed 12/31/2025
Build-in participant course mecha...
Create training and awareness effectiveness measurement metrics
Wed 01/01/2025
Wed 12/31/2025
Create training and awareness eff...
Create update reports, define recipients, and distribution frequency
Wed 01/01/2025
Wed 12/31/2025
Create update reports, define reci...
Provide training to managers to discuss compliance during staff meetings
Wed 01/01/2025
Wed 12/31/2025
Provide training to managers to di...
Phase II: Design Compliance Metrics Reports
Wed 01/01/2025
Wed 12/31/2025
Phase II: Design Compliance Metri...
Define requirements for reports to publicize compliance metrics and provide activity updates
Wed 01/01/2025
Wed 12/31/2025
Define requirements for reports...
Create site for access to compliance-related content
Wed 01/01/2025
Wed 12/31/2025
Create site for access to compli...
Phase II: Develop Procedures for Compliance Activities
Thu 01/01/2026
Thu 12/31/2026
Phase II: Develop Procedures for C...
Phase II: Identify Department Processes with Laws, Rules, And Regulations Implications
Wed 01/01/2025
Thu 12/31/2026
Phase II: Identify Department Processes with Laws, Rules, And Regulation...
Ensure affected processes have documented procedures
Wed 01/01/2025
Thu 12/31/2026
Ensure affected processes have documented procedures
Create process controls, map processes and controls to Compliance Risk Assessments to evaluate control environment effectiveness
Wed 01/01/2025
Thu 12/31/2026
Create process controls, map processes and controls to Compliance Risk ...
Obtain management agreement for processes with laws, rules, and regulations implications
Wed 01/01/2025
Thu 12/31/2026
Obtain management agreement for processes with laws, rules, and regul...
Phase II: Develop Compliance Program Continuous Improvement Process
Wed 01/01/2025
Thu 12/31/2026
Phase II: Develop Compliance Program Continuous Improvement Process
Define metrics for measuring Compliance Program effectiveness
Wed 01/01/2025
Thu 12/31/2026
Define metrics for measuring Compliance Program effectiveness
Implement methods to evaluate the effectiveness of the compliance program
Wed 01/01/2025
Thu 12/31/2026
Implement methods to evaluate the effectiveness of the compliance prog...
Establish mechanism to receive feedback and incorporate information into updates
Wed 01/01/2025
Thu 12/31/2026
Establish mechanism to receive feedback and incorporate information in...
Develop practice for the regular review and update of compliance program documents and procedures
Wed 01/01/2025
Thu 12/31/2026
Develop practice for the regular review and update of compliance progra...
Phase II: Develop Control Monitoring Program Process and Database
Wed 01/01/2025
Wed 12/31/2025
Phase II: Develop Control Monitori...
Identify department processes with laws, rules, and regulations implications
Wed 01/01/2025
Wed 12/31/2025
Identify department processes wit...
Ensure affected processes have documented procedures
Wed 01/01/2025
Wed 12/31/2025
Ensure affected processes have d...
Create process controls, map processes and controls to Compliance Risk Assessments to evaluate control environment effectiveness
Wed 01/01/2025
Wed 12/31/2025
Create process controls, map proc...
Create inventory of process controls
Wed 01/01/2025
Wed 12/31/2025
Create inventory of process controls
Create control attestation input report to include control definition, attestation activity, attestation evidence, review date range, control-based attestation frequency, findings, department and compliance reviewer, and comments
Wed 01/01/2025
Wed 12/31/2025
Create control attestation input re...
Create compliance issued control attestation report to management
Wed 01/01/2025
Wed 12/31/2025
Create compliance issued control ...
Draft control monitoring program
Wed 01/01/2025
Wed 12/31/2025
Draft control monitoring program
Develop risk assessment-based control attestation and monitoring plans
Wed 01/01/2025
Wed 12/31/2025
Develop risk assessment-based co...
Conduct process control attestations to determine effectiveness and identify risk mitigation opportunities
Wed 01/01/2025
Wed 12/31/2025
Conduct process control attestatio...
Assess Phase
Execute Phase
Plan Phase
Prepare Phase
Thu 11/30/2023
Wed 12/31/2025
Prepare Phase [763d]
Phase I: Establish Compliance Support Foundation
Mon 01/01/2024
Tue 12/31/2024
Phase I: Establish Compliance Sup...
Assume responsibility for the Operational Risk Management Database
Mon 04/15/2024
Fri 09/13/2024
Assume r...
Assume responsibility for the Annual Board Policy Compliance Review
Mon 04/15/2024
Fri 09/13/2024
Assume r...
Serve as an issues management partner for the resolution of Management Action Plans (MAPs)
Maintain role as liaison between departments and Internal Audit
Serve as a proactive partner to management and staff by providing guidance to ensure adherence to regulatory laws and fiduciary duty to members
Define Compliance Program risk governance framework
Fri 03/01/2024
Fri 03/29/2024
Present risk governance framework to management
Tue 03/26/2024
Tue 04/09/2024
Receive Audit Committee approval and Board adoption of CCO and Compliance Program Charters
Thu 03/28/2024
Mon 04/15/2024
Transition oversight for risk reporting and the Ethics & Fraud Hotline to Compliance and identify enhancement opportunities
Thu 06/06/2024
Fri 09/06/2024
Tra...
Create event schedule for compliance awareness activities
Thu 02/01/2024
Thu 04/13/2024
Create ...
Identify staff requirements for enterprise compliance coverage
Mon 09/02/2024
Tue 12/31/2024
Identify ...
Redesign risk reporting database with upgraded SharePoint
Tue 10/01/2024
Fri 02/28/2025
Redesign ri...
Redesign Management Action Plan reporting with upgraded SharePoint
Tue 10/01/2024
Fri 02/28/2025
Redesign M...
Define initial area of focus for program introduction
Thu 11/30/2023
Fri 11/29/2024
Define initial area of focus for p...
Create a 'what were they thinking' or similar compliance corner to share examples of industry blunders/teachable moments for awareness
Thu 08/01/2024
Tue 12/31/2024
Create a 'w...
Perform initial assessment of OCERS operating environment for program development approach
Tue 12/31/2024
...ng environment for program development approach)
Research third-party vendor resources for compliance program
Tue 12/31/2024
Research third-party vendor resources for compliance program
Select third party vendors for planning and execution stages
Tue 12/31/2024
Select third party vendors for planning and execution stages
Obtain CCEP certification
Mon 03/31/2025
Obtain CCEP certification
Determine timing for GRC system
Wed 12/31/2025
Determine timing for GRC system

Ethics and Fraud Hotline Program Governance Document

Introduction

1. The Ethics and Fraud Hotline Program is a key component of effective risk governance that provides a confidential and secure platform for employees, vendors, members, and the public at large to report concerns about suspected fraud, waste, or abuse. The Program supports OCERS' commitment to the highest standards of ethical behavior. Other benefits of the Program include:

    - **Early Detection and Prevention:** The hotline allows for early detection of potential risks, fraud, or unethical conduct and enables timely interventions.
    - **Protection of Organizational Integrity:** By addressing issues promptly, the agency can maintain its reputation and the trust of stakeholders.
    - **Encouragement of Ethical Culture:** It empowers employees to speak up without fear of retaliation, fostering a culture of openness and transparency.

    To ensure the independence and integrity of the reporting process, all reports made through the 24-hour Ethics and Fraud Hotline are handled by NAVEX, a third-party provider. This partnership helps to eliminate potential biases and conflicts of interest, ensuring that all reports are treated with objectivity and impartiality. Calls to the Hotline are handled by a NAVEX specialist who is trained to ask appropriate questions and gather additional information. Reporters have the option to remain anonymous when submitting reports through NAVEX. If the caller wishes to remain anonymous, a code number is issued for identification purposes to allow the caller to receive feedback or answer questions regarding the report. Calls to the Helpline are not recorded, and there is no caller identification or automatic callback on the phone lines.

    Employees and stakeholders have the option of filing reports online as an alternative to speaking with a NAVEX specialist and will remain anonymous if preferred. Reports are considered allegations until investigations are completed.

Reportable Cases

2. Employees and stakeholders are required to promptly report suspected violations of law and OCERS' policies. Cases that should be reported to the Hotline include:

    - **Fraud:** Any intentional act or omission designed to deceive others, resulting in financial or personal gain at the expense of the organization.
    - **Corruption:** Including bribery, extortion, or any form of improper influence.
    - **Ethical Violations:** Breaches of the organization's code of conduct, including conflicts of interest, or unethical behavior.
    - **Harassment and Discrimination:** Incidents of sexual harassment, workplace bullying, or discriminatory practices based on race, gender, age, disability, or any other protected classes.
    - **Misuse of Company Resources:** Inappropriate use of agency assets, data, or intellectual property.

- **Health and Safety Violations:** Unsafe working conditions, non-compliance with safety regulations, or environmental hazards.
- **Other Misconduct:** Any other behavior that violates OCERS policies.

Roles and Responsibilities

3. **Compliance:** Compliance provides program oversight and receives reports directly from Navex. Compliance performs a preliminary review to determine if there are enough facts to initiate an investigation. Reports that do not provide enough information for an investigation will be closed and reporters notified. Depending on the nature of a case, Compliance will maintain oversight and add the appropriate individuals to form the investigative team. At the completion of an investigation, findings and recommendations will be reviewed by executive management to determine appropriate closure steps to take. The role of Compliance includes:

    - **Program Oversight:** Responsible for the overall management and oversight of the Ethics and Fraud Hotline Program.
    - **Report Handling:** Receives reports from NAVEX, acknowledges them, and ensures that they are directed to the correct department or investigative team for further action.
    - **Communication:** Serves as the primary point of contact between the organization and NAVEX, ensuring smooth communication and addressing any issues that may arise.
    - **Follow-up:** Ensures timely follow-up on reports and ensures investigative teams are progressing as needed to resolve cases.
    - **Documentation:** Maintains comprehensive records of all reports, investigations, and outcomes, ensuring that they are available for internal audits and reviews.
    - **Policy Development:** Regularly reviews and updates policies and procedures related to the hotline to ensure they reflect current legal requirements and best practices.
    - **Training and Awareness:** Works with Learning and Development to develop awareness material and promote the hotline's importance and how to use it.
    - **Reporting:** Provides reports to the executive leadership team and the Audit Committee on the status of the hotline program, including metrics on usage, types of reports received, and outcomes of investigations.
    - **Program Improvement:** Analyzes trends and feedback from the hotline to identify areas for improvement and enhance the effectiveness of the program.
    - **Independence and Objectivity:** Ensures the independence of the hotline by overseeing NAVEX and mitigating any potential conflicts of interest.

4. **Executive Management:**

    - **Resource Allocation:** Ensures that adequate resources are allocated to support the hotline program and its associated investigations.
    - **Findings Review:** Reviews the outcomes of investigations and decides on necessary corrective actions, such as policy changes and disciplinary actions.
    - **Culture Setting:** Plays a crucial role in setting the tone from the top by demonstrating a commitment to ethical behavior and compliance throughout the organization.
    - **Program Sponsorship:** Provides visible sponsorship and support for the Ethics and Fraud Hotline Program, reinforcing its importance across the organization.

- **Communication of Outcomes:** Approves and oversees the communication of investigation outcomes to relevant stakeholders while ensuring that legal and confidentiality requirements are met.

5. **Employees and Stakeholders:**

   - **Reporting Misconduct:** Employees and stakeholders are the first line of defense in maintaining OCERS' integrity and are encouraged to report any instances of unethical behavior, fraud, or other misconduct through the hotline.
   - **Participating in Investigations:** Employees may be called upon to participate in investigations, whether as witnesses or by providing necessary information, and are expected to cooperate fully while maintaining confidentiality.
   - **Confidentiality:** Employees must respect the confidentiality of the hotline process and avoid any unauthorized disclosure of information related to reports or investigations.

6. **NAVEX (Third-Party Provider):**

   - **Independent Report Handling:** NAVEX provides an independent platform for receiving and logging reports of misconduct, ensuring objectivity, and minimizing potential internal biases.
   - **Anonymity Protection:** Ensures that reporters can remain anonymous if they choose, protecting their identity while still allowing the organization to investigate the reported issue.
   - **Initial Screening:** Conducts an initial review of reports to filter out non-relevant or frivolous submissions before forwarding them to OCERS.
   - **Report Routing:** Accurately routes reports to the appropriate contact within the organization, ensuring timely and efficient handling.
   - **Secure Data Management:** Maintains secure systems for handling and storing report data, ensuring that it is protected from unauthorized access or breaches.

Investigative Process

7. All reports of a suspected violation of law or OCERS policy will be appropriately investigated in a timely manner. Employees are required to cooperate with any investigations and to respond truthfully and fully to all questions. The requirement of confidentiality will be communicated to anyone with whom the investigation must be discussed, including management and interviewees. The investigative steps include:

   - **Acknowledgment of Report:** Compliance or a designee will acknowledge receipt of all non-anonymous submissions in writing to initiate the logging process.
   - **Preliminary Review:** The report will undergo an initial review to determine if further action is required.
   - **Assignment to Investigative Team:** If the report requires further action, Compliance will confer with Legal to decide on how to best conduct a thorough investigation, which will involve gathering evidence, interviewing relevant parties, analyzing findings, and determining the facts of the case.

- **Conclusion:** After completing the investigation, Compliance or the appropriate individual will document findings and recommendations.
- **Action:** Based on the investigation's findings, appropriate disciplinary or corrective actions may be taken. This may include policy changes, additional training, or disciplinary measures against individuals involved.
- **Communication of Outcome:** The final outcome of all investigations will be reviewed with the Chair of the Audit Committee, and a summary will be submitted to the Audit Committee unless deemed confidential by the Chief Compliance Officer in consultation with the Chief Executive Officer, the Chair of the Audit Committee, and Legal Counsel.

The investigative team may include the following specialized roles:

- **Legal:** Provides legal guidance on the investigation, ensuring that it complies with relevant laws and regulations.
- **Human Resources:** Manages cases involving employees, particularly those related to harassment, discrimination, or misconduct.
- **Internal Audit:** Focuses on cases related to financial misconduct, fraud, or misappropriation of resources.
- **Information Technology:** Assists with investigations involving data breaches, cybersecurity issues, or misuse of technology.

If an accusation is made against the Chief Compliance Officer, then the Chief Compliance Officer or a member of the Compliance department, as appropriate, will inform the Chief Executive Officer, who will then be responsible for directing an investigation.

The Audit Committee or Chair of the Audit Committee will make the final determination regarding action to be taken upon completion of the investigation where: a. the accusation is against a member of OCERS Senior Executive management; b. the results of an investigation indicate criminal acts have occurred; or c. there are high-level policy implications resulting from an investigation.

Monitoring and Review

8. Compliance will monitor the Ethics and Fraud Hotline Program’s effectiveness and alignment with best practices. This includes periodic reviews, surveys to gauge employee confidence in the program, and updates to the governance document as needed.

Compliance Partnership Statement

9. Compliance is committed to fostering a collaborative environment at OCERS where departments can succeed while adhering to regulatory standards. Compliance is the trusted advisor in OCERS’ three lines of defense risk governance model. As the second line of defense, and with compliance processes such as control monitoring embedded in the first line of defense processes, departments can expect objective input and guidance throughout the completion of activities that support the Compliance Program elements. The same level of proactive partnership will be in place consistently to facilitate the timely detection and mitigation of risks before they escalate.

Observations Management Program

Introduction

1. Observations management is a key component of effective risk governance. “Observations” are Internal Audit findings of department practices inconsistent with established department procedures. Observations may also result from undocumented procedures and undefined practices. Differences between existing practices and documented procedures create process gaps. Gaps that are not remediated timely can lead to waste, errors, inefficiencies, stakeholder dissatisfaction, and violations of law. Consequently, observation identification as part of the Observation Management Lifecycle, is a critical tool in overseeing the control environment and the timely development of Management Action Plans (MAPS). The control environment consists of the internal policies, procedures, processes, and functions of Compliance and Internal Audit necessary to fulfill OCERS’ risk mitigation objectives.

2. MAPS provide department responses to observations, outline remediation action plans, and target completion dates. MAP information is included on the “MAP Status and Aging” report to provide progress updates to executive management and the Audit Committee. Remediation action plans should be concise and summarize how management plans to address the risk identified in the observation. All plans should resolve the specific observations identified, be expanded to cover the full population, and ensure a long-term solution to the root cause is implemented.

3. Compliance may provide independent review and challenge of action plans and the corrective actions they entail as part of the Observations Management Process. Corrective actions may include procedure updates, implementation of new controls, and retraining of employees. Departments will review completed action plans with Compliance for feedback before submitting MAP closure request documentation to Internal Audit. Closure request documentation offers evidence of completed observation response activities and may include updated policies and procedures, proof of process changes and of employee retraining.

4. For additional risk mitigation, divisions are encouraged to incorporate practices that empower employees to identify process gaps and escalate their findings to management. This proactive approach to continued process assessments identifies improvement opportunities before Internal Audit and external entities make such findings. The collective work done by divisions and Internal Audit to identify and resolve issues supports OCERS’ commitment to superior service.

5. There are two types of Internal Audit observations that require MAPS:

Priority Issues

Priority Issues are items that are significant to management and the control environment. They are included in the Internal Audit Report and the Detailed Observation and Recommendations Matrix (DORM).

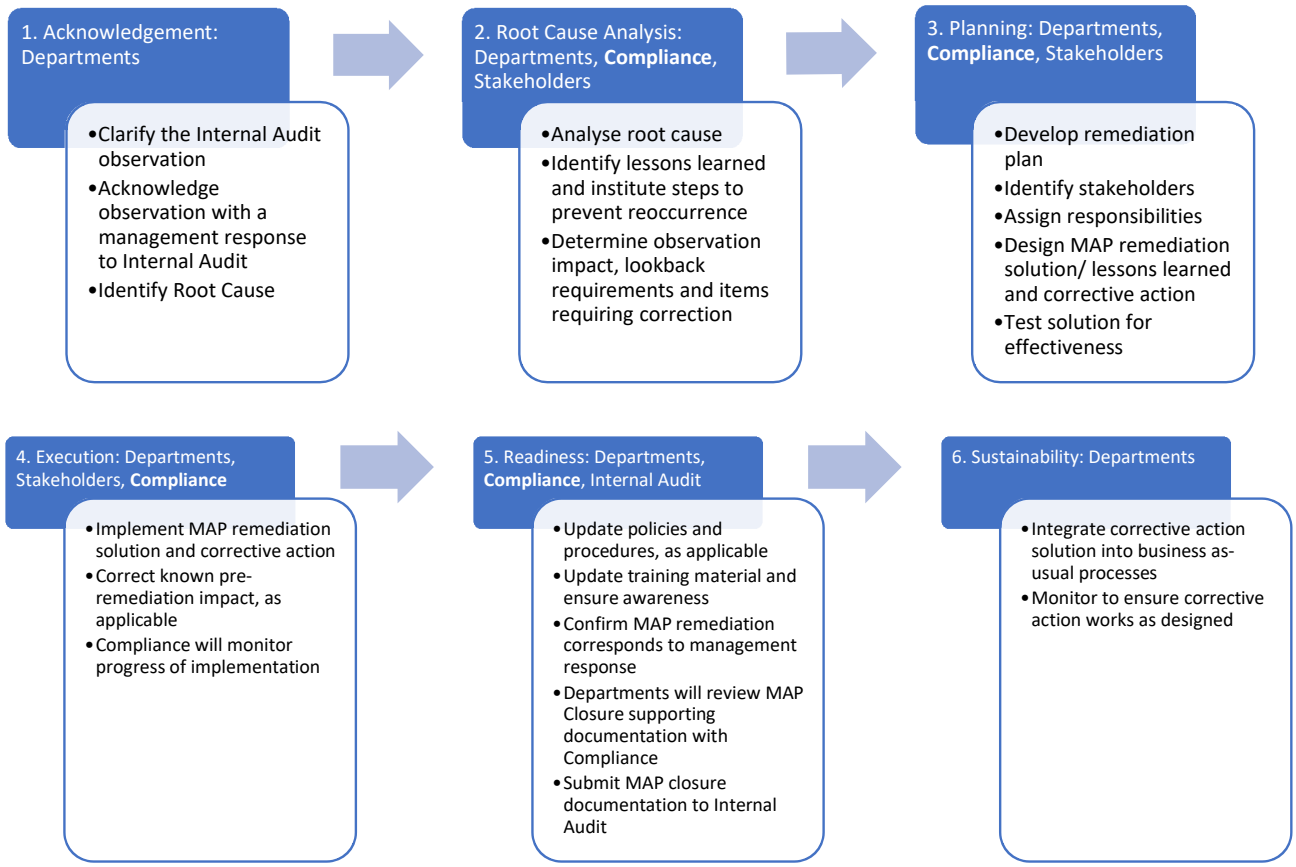
Important Observations

These items are important to the process owner, and impact the control environment or could constitute observations for improving the efficiency and effectiveness of management's operations. They are included in the Internal Audit Report and the DORM.

Observations Management Lifecycle

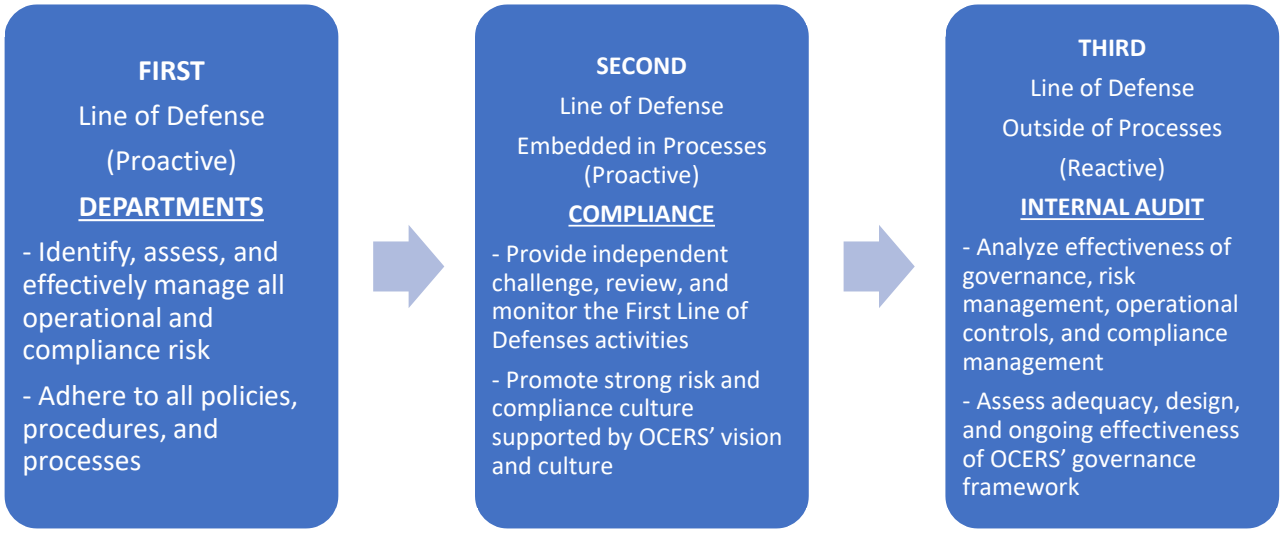
The observations management lifecycle outlines the stages of observations' progression from identification to closure. Effective communication with stakeholders throughout the process ensures transparency and accountability for the timely closure of MAPS. Lessons learned are incorporated into improvements to prevent repeat observations and enhance OCERS' resilience.

The lifecycle stages are outlined below:



Roles and Responsibilities

6. OCERS' risk governance framework is based on a "three lines of defense" risk mitigation model. The model is designed to ensure effective enterprise risk management in which each line plays a distinct role to fulfill OCERS' risk mitigation objectives as shown below:



Oversight for managing MAPs through completion will be shared across the three lines as outlined below:

a. **First Line of Defense: OCERS Divisions and Departments (MAP Owners)**

   Division heads are responsible for ensuring the timely remediation and closure of MAP items assigned to and owned by their departments. Prioritizing MAP management, timely status updates and communication with Compliance, and focusing on solution designs that align with management responses are important to ensuring MAPS are implemented by target due dates.

b. **Second Line of Defense: Compliance**

   Compliance supports departments with remediating audit observations and self-identified items and serves as a liaison between departments and Internal Audit. It provides guidance and will assist departments with management responses and completion of MAPS. Compliance will be responsible for sharing updates with Internal Audit to ensure remediation progress is aligned with management responses.

   Compliance will share Internal Audit's feedback with departments to be considered for MAP remediation activities.

   Other Compliance responsibilities include:

- Partner with Internal Audit and department management to assign observations accurately to appropriate departments and identify responsible owners.
- Ensure details of department self-identified issues are recorded (system of record TBD).
- Provide guidance to departments during audits and assist departments with developing action plans and drafting management responses, as appropriate.
- Provide subject matter support for the design of effective and sustainable controls to remediate observations.
- Review observation remediation action plans, amendments, and closure evidence.
- Monitor the implementation of documentation changes required for observations with CERL, other laws, rules, and regulatory implications.
- Coordinate meetings with executive management and Internal Audit, as needed for timely resolution of action plans.

c. Third Line of Defense: Internal Audit

Internal Audit is responsible for assessing the effectiveness of OCERS' risk governance program and communicating its observations to management, executives, and the Audit Committee. In its role, Internal Audit performs independent tests and verifies and evaluates the effectiveness of controls (including policies, procedures, processes, and systems) to determine whether effective controls exist and are working as designed.

As applicable, Internal Audit will validate MAP remediation evidence to independently assess the effectiveness and sustainability of remediation solutions and compensating controls.

MAP Review and Validation

7. Compliance will partner with the appropriate stakeholders identified in MAPs and provide an independent review and challenge of mitigation activities, as applicable. The challenges process is designed to offer an objective assessment of supporting documentation for MAP closure to confirm alignment with management responses and anticipate concerns Internal Audit may have. Feedback will be communicated timely to the appropriate management. New gaps or actions arising from such feedback that are considered necessary for MAP closure will be agreed upon by department management and Internal Audit for inclusion in the remediation efforts.

Self-Identified Issues

8. The practice of staff self-identifying issues is encouraged as part of enterprise risk mitigation activities to detect issues before they are identified as observations by Internal Audit. It also demonstrates a proactive department management ownership style that supports a heightened risk-aware culture by continuously evaluating processes and procedures to self-identify process gaps and improvement opportunities and track action plans that address underlying root causes. Department management will be responsible for the timely notification of such issues to Compliance. Compliance may share the information with Internal Audit for awareness, depending on the issue's nature and impact. Issue details, including description and resolution action, will be shared with Internal Audit.

Observations Management Meetings

9. MAP target completion dates and Audit Committee meeting dates may influence the frequency of Compliance's MAP status meetings with management or their designees. The status of remediation activities and any items affecting target completion dates will be addressed during the meetings. Department management will notify Compliance and provide timely information on emerging factors that may cause completion delays and revisions to target completion dates. Compliance will record notes, communicate such information to Internal Audit, and provide timely updates on Internal Audit's feedback to management.

Compliance Partnership Statement

Compliance is committed to fostering a collaborative environment at OCERS where departments can succeed while adhering to regulatory standards. Compliance is the trusted advisor in OCERS' three lines of defense risk governance model. As the second line of defense, and with compliance processes such as control monitoring embedded in the first line of defense processes, departments can expect objective input and guidance throughout the completion of activities that support the Compliance Program elements. The same level of proactive partnership will be in place consistently to facilitate the timely detection and mitigation of risks before they escalate.

Risk Assessment Program

Introduction

Risk Assessment is a key component of effective risk governance and establishes a framework for identifying, assessing, managing, and monitoring risks that could impact OCERS' objectives. It is a proactive Compliance approach designed to identify, assess, and manage risks systematically. The Risk Assessment Program aims to mitigate potential risk, enhance decision-making, and ensure OCERS achieves its objectives. The Program will be a Compliance (second line of defense) function working in collaboration with the Departments (first line of defense) and Audit (third line of defense) as outlined in OCERS' "three lines of defense" risk governance framework.

OCERS' risk governance framework is based on a "three lines of defense" risk mitigation model. The model is designed to ensure effective enterprise risk management in which each line plays a distinct role in fulfilling OCERS' risk mitigation objectives, as shown below:

The collaborative approach to risk governance promotes a holistic view of risks and controls, enhanced transparency, knowledge sharing, and increased confidence in integrated assurance.

Purpose

The purpose of the Risk Assessment Program is to establish a structured approach to risk assessments that reflects OCERS' culture and values and protects its assets, reputation, employees, and stakeholders. The Program provides an outline of risk assessment processes that are designed to mitigate legal and ethical compliance risks with the following key objectives:

- Define the methodology for identifying, assessing, and managing risks.

- Assign roles and responsibilities for risk assessment activities.
- Provide a consistent risk management approach across OCERS.
- Provide an early warning process for identifying and evaluating compliance and ethics threats.

Scope

The Risk Assessment Program applies to all departments and covers key risks, including:

- Operational Risk: Risk of loss due to ineffective internal day-to-day processes, procedures, employee errors, system failures, or external events.
- Financial Risk: Risk of loss from financial operations due to improper financial reporting, controls, or improper handling of invoices.
- Reputational Risk: Risk of reputational damage due to non-compliance with laws, regulations, ethical standards, or internal policies.
- Legal Risk: Risk of legal and regulatory action and exposure to fines due to operational disruptions, financial loss, failure to comply with laws, regulations, and internal policies.

Definitions

The risk assessment process involves terminologies critical to understanding and managing risks effectively. A shared understanding of key terms enhances communication and promotes consistency in identifying and mitigating risks.

Risk: The possibility of an event that could cause harm, loss, or create other negative impacts that affect the achievement of objectives.

Likelihood: The probability of a risk event occurring

Impact or Severity: Rating of financial, operational, or reputational severity from a risk event occurring with built-in department controls

Mitigation: Measures taken to reduce the impact or likelihood of a risk.

Controls: Policies, procedures, and tools implemented to ensure adherence to legal, regulatory, and internal requirements (e.g., training, checklists, and quality checks).

Inherent Risk: The level of risk that exists before controls are implemented to reduce impact.

Residual Risk: The level of risks that remain after implementing controls to mitigate inherent risk impact.

Risk Appetite: The amount and type of risk OCERS is willing to take to meet its objectives.

Risk Assessment: A systematic process of identifying, analyzing, and evaluating potential risks that could affect the organization's objectives.

Low Risk:

- Likelihood: Minimal chance of occurring or occurs infrequently.
- Existing Controls: Effective

- Impact: Minimal effect on operations, financial losses, reputation, or compliance. Typically, manageable without significant intervention.
- Action: Periodic monitoring; minimal intervention required.

Medium Risk:

- Likelihood: Moderate likelihood of occurring occasionally.
- Existing Controls: Generally effective with potential control gaps.
- Impact: Moderate effect on operational disruptions, financial losses, or minor regulatory issues.
- Action: Requires mitigation and regular monitoring to prevent escalation.

High Risk:

- Likelihood: Highly likely to occur or occurs frequently.
- Existing Controls: Generally ineffective with significant control gaps or unaddressed known vulnerabilities.
- Impact: Significant or severe effect, potentially leading to major financial losses, operational shutdowns, law/regulatory breaches, customer information breaches, or reputational damage.
- Action: Immediate attention and strong mitigation plans required to reduce or eliminate the risk.

Risk Assessment Process

Compliance Role

Compliance leads the risk assessment process and works closely with departments to ensure roles are clearly defined to manage OCERS' risks effectively.

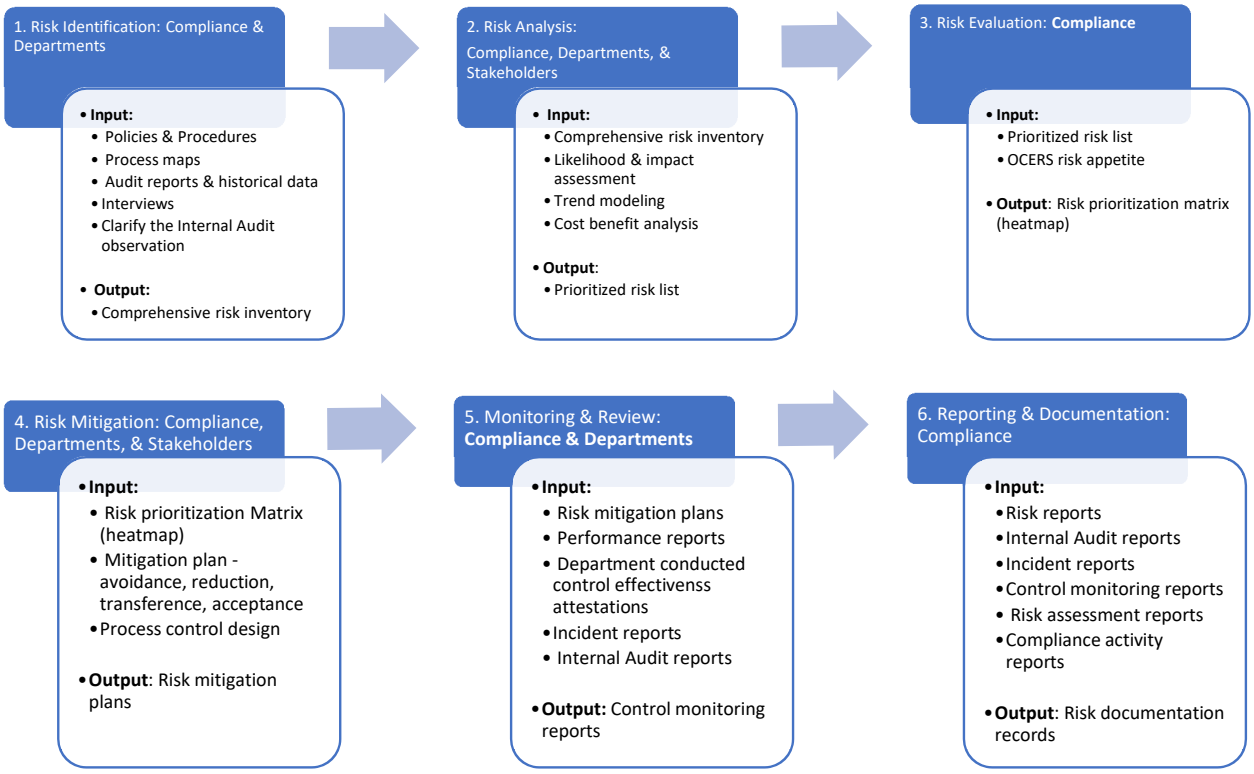
Key responsibilities:

- Lead the planning, completion, and review of risk assessment activities to ensure alignment with OCERS' objectives, laws, rules, regulatory requirements, and risk appetite.
- Develop and maintain a standardized framework for conducting risk assessments, including methodologies, templates, and tools (e.g., risk scoring models and risk inventory).
- Update executive management and the Audit Committee on the status of key risks, mitigation efforts, and risk trends.
- Lead the investigation of risk-related incidents, including Ethics & Fraud Hotline cases, and ensure lessons learned are incorporated into mitigation activities and sustained.
- Lead the monitoring of risks prioritized by the risk assessment process and Internal Audit observations to ensure adherence to controls and continue risk handling improvements.
- Collaborate with Internal Audit and internal and external stakeholders to ensure risk management activities align with industry standards and regulatory expectations.

Compliance will collaborate with departments to identify and evaluate potential risks during the risk assessment process. This includes working with management to gather detailed information on operations, processes, and controls. Compliance will conduct interviews with management and staff to assess current risks, emerging risks, and control effectiveness. Documentation such as policies, procedures, and audit reports will be reviewed to identify gaps and opportunities for improvement.

Compliance will also assist in prioritizing risks based on likelihood and impact and guide mitigation activities. This approach is intended to facilitate an open and transparent environment that helps ensure that all risks are identified and effectively managed.

The risk assessment lifecycle is outlined below:



Risk Identification

Risk Identification involves Compliance identifying potential risks that may affect OCERS' objectives. The risk identification process enables the early identification and mitigation of risks and offers a comprehensive risk inventory for analysis and prioritization.

Compliance Key Activities:

- Identify internal (e.g., business processes, policies, procedures) and external (e.g., laws, regulations) risk sources.
- Gather data to include:
    - Interviews and surveys: Collect information on potential risks from department management, employees, and subject matter experts.
    - Process mapping: Analyze department processes to identify gaps or exposure to risks.
    - Historical data: Review performance reports and audit reports for recurring or emerging risks.

Risk Analysis

Compliance will analyze risks gathered from the risk identification process for likelihood and potential impact and offer a prioritized list of risks that can be evaluated against OCERS' risk appetite.
Compliance Key Activities:

- Perform qualitative analysis (assessment based on likelihood and potential impact):
    - Likelihood assessment: Estimate risk frequency based on historical data, subject matter expert input, and industry trends.
    - Impact assessment: Analyze potential impact if risk occurs.
- Perform quantitative analysis (assessment based on numerical information):
    - Cost-benefit analysis: Determine the cost of risk mitigation activities to the potential financial impact of risk occurring.
    - Modeling: Use historical and other data to predict risk likelihood.
- Classify risks by type (e.g., financial, compliance, operational, reputational).

Risk Evaluation

Risk Evaluation refers to the comparison of analyzed risks to OCERS' risk appetite to identify risks that require mitigation and determine the priority of actions and resource allocation. Compliance Key activities:

- Compare analyzed risks to OCERS' risk appetite and tolerance levels to determine which risks require mitigation.
- Prioritize risks and assign levels based on severity and impact (e.g., low, medium, high). ORM definitions

Risk Mitigation

Risk Mitigation involves the design and implementation of risk mitigation actions to reduce the likelihood or impact of risks or eliminate them. Mitigation plans show prioritized risks, identifies risk owners, includes timelines, and proposed controls to reduce overall exposure to each risk.
Compliance Key Activities:

- Develop risk mitigation plans around industry best practice standards for risk mitigation:
    - Avoidance: Risk elimination by discontinuing activity or process that causes the risk.
    - Reduction: Likelihood or impact reduction with the introduction of controls.
    - Transference: Risk shift from OCERS to third-party provider or consultant (e.g., outsourcing).
    - Acceptance: Compare risk level to risk appetite for acceptance based on mitigation costs (cost-benefit analysis).
- Design controls to address specific risk items. Controls may include:
    - Preventative: Actions to prevent risk from occurring (e.g., training, documentation updates, access level reviews).
    - Detective: Tools that monitor and detect if risks occur (e.g., system monitoring, department quality assurance, compliance control monitoring, audits).
    - Corrective: Procedures to correct or mitigate impact if risk occurs (e.g., business continuity plans).

Monitoring and Review

Risk management practices are ongoing and require continuous monitoring to ensure plans remain relevant, risks are effectively managed and controls work as designed.

Compliance Key Activities:

- Continuous risk and control monitoring to include department errors, employee turnover reports, and manual process workarounds to supplement technology.
- Adjust risk response strategies based on changes in the internal or external environment.
- Conduct regular audits and assessments to ensure mitigation efforts are effective.
- Review incident reporting for lessons learned and opportunities to improve the risk management processes.
- Perform risk assessments at least annually or when major process and environmental changes occur to identify new or emerging risks and reevaluate existing items.

Reporting and Documentation

Documenting the risk assessment process is important to maintaining transparency, accountability, and compliance with laws, rules, and regulatory requirements. Proper documentation provides tools to track risk management activities, provide an audit trail, and ensure compliance with legal and regulatory requirements.

Compliance Key Activities:

- Maintain risk inventory.
- Maintain risk assessment archive to include supporting documentation, assessment methodologies, and results for reference and audit purposes.

Communication

Effective communication during risk assessment ensures all stakeholders understand the process, roles, and responsibilities. This fosters transparency, supports informed decision-making, enhances accountability, and strengthens the overall risk management process.

Compliance Key Activities:

- Ensure open communication channels across departments for reporting new risks or changes to existing risks.
- Prepare risk assessment reports and share them with senior management and relevant stakeholders, highlighting major risks and mitigation progress.
- Report on high-priority risks in biannual updates with the Audit Committee.

Roles and Responsibilities

Department Heads

Department heads play an important role in managing department-specific risks. This includes maintaining a culture that ensures risks are identified, assessed, and mitigated in coordination with Compliance and other appropriate stakeholders.

Key responsibilities:

- Ensure potential risks are identified and escalated appropriately.
- Maintain ownership of department risks and ensure the timely implementation and completion of mitigation activities.
- Maintain ownership of department controls designed to mitigate risks and ensure their effectiveness.
- Monitor department performance to ensure key indicators and risk control targets are met.
- Collaborate with Compliance and other departments to address cross-functional risks that may have overlapping effects.
- Ensure department employees maintain a high level of risk awareness and receive and complete assigned training.

Risk Owners

Risk owners are designated employees assigned to manage activities aligned with mitigating a particular risk.

Key Responsibilities

- Manage and coordinate the timely completion of activities aligned to assigned risks.
- Collaborate with Compliance to review and test effectiveness of risk mitigation controls.
- Provide timely status updates to the department heads, stakeholders, and Compliance.
- Partner with Compliance to ensure risk mitigation activities consistently align to the overall risk program.
- Review risk management performance metrics to ensure ongoing effectiveness and adherence.

Executives

The executive team, including the CEO and division heads, sets the tone and provides strategic oversight to ensure consistent adherence to risk management activities embedded in business decisions and operational processes.

Key Responsibilities

- Define OCERS' risk appetite and ensure alignment with objectives.
- Review and approve risk assessment results, risk prioritizations, and planned mitigation activities.
- Ensure the availability of adequate resources to handle risk mitigation activities.
- Collaborate with Compliance to communicate the importance of risk awareness and to continuously promote a risk-aware culture.

Internal Audit

Internal Audit provides independent assurance of the effectiveness of the Compliance Program and its risk management processes, including risk assessments.

Key Responsibilities

- Conduct periodic reviews of the risk assessment program.
- Evaluate compliance process control effectiveness and offer improvement recommendations.

- Perform audits of the Risk Assessment Program to ensure compliance with laws, rules, and regulations and the controls that manage key risk items.

Employees

OCERS employees play an important role in identifying and managing risks, especially at the department level, to identify and timely escalate items that pose risks to OCERS for appropriate mitigation activities to occur.

Key Responsibilities

- Understand and consistently adhere to OCERS policies and procedures.
- Take ownership of assigned roles by understanding responsibilities and actively participating in training activities.
- Immediately escalate potential risks or situations that don't appear right to management, Compliance, or the Ethics & Fraud Hotline.

Compliance Partnership Statement

Compliance is committed to fostering a collaborative environment at OCERS where departments can succeed while adhering to regulatory standards. Compliance is the trusted advisor in OCERS' three lines of defense risk governance model. As the second line of defense, and with compliance processes such as control monitoring embedded in the first line of defense processes, departments can expect objective input and guidance throughout the completion of activities that support the Compliance Program elements. The same level of proactive partnership will be in place consistently to facilitate the timely detection and mitigation of risks before they escalate.

Compliance Control Monitoring Program

Introduction

1. Compliance control monitoring is a key component of effective risk governance and ensures OCERS' adherence to the County Employees Retirement Law of 1937 (CERL) and other applicable Laws, Rules, and Regulations (LRR), as well as OCERS' policies. It demonstrates a commitment to OCERS' values, establishes structure, and defines oversight responsibility. The CERL is the governing authority under which OCERS administers the retirement system. The CERL, LRR, and OCERS Board policies provide the authority for and requirements of agency procedures and internal policies.

   The Compliance Control Monitoring Program is a supplemental prevention and detection risk governance tool that ensures internal policies and procedures effectively address legal requirements. It is a proactive Compliance approach to work with departments to find and fix current and emerging risks before they escalate and not intended to be an audit or investigation. Compliance is responsible for the continuous monitoring of controls to ensure they are functioning as intended to mitigate risks. This involves submitting an attestation report to departments with a list of controls, required information, and sample date ranges for review on a quarterly basis. Compliance partners with department's during the one-month period allotted for completion to assist and answer question as needed. Department's submit completed attestations to Compliance by the dues date to initiate a review of the attestation results. Information provided on control environment changes and result variances are noted during Compliance's review to ensure updates are made to the controls inventory and follow up is initiated to address reported gaps.

   Compliance has one-month to complete it's review and submit completed attestations with comments to submitters. Department management will be added to the email if the submitter is a management designee. Management will be responsible for sharing Compliances feedback with their division heads.

   OCERS' risk governance framework is based on a "three lines of defense" risk mitigation model. The model is designed to ensure effective enterprise risk management in which each line plays a distinct role in fulfilling OCERS' risk mitigation objectives, as shown below:

The collaborative approach to risk governance promotes a holistic view of risks and controls, enhanced transparency, knowledge sharing, and increased confidence in integrated assurance.

The Control Monitoring Program forms the basis of integrated assurance that is designed to eliminate duplicative work and redundant mitigation activities across the three lines. Integrated assurance allows Internal Audit to consider Compliance monitoring in defining its scope of work, which will reduce the level of effort required from departments to support Internal Audit's information gathering requests.

2. Definitions

Controls - Policies, procedures, or activities that are designed to ensure adherence to CERL and LRR requirements. These may include tests, reports, work queue reviews, checklists, training, and coaching of departments.
Monitoring - Process used by Compliance to distribute attestation reports quarterly for departments to review and assess the effectiveness of compliance controls embedded in operations.
Risk Assessment – Early warning threat detection process used by Compliance to detect threats from existing and emerging risks. The risks are evaluated and prioritized based on potential impact and likelihood of occurrence.
Controls Inventory – Comprehensive list of enterprise-wide process controls maintained by Compliance.

3. The control monitoring process will be a collaborative effort between departments and Compliance. At intervals to be determined by Compliance, a list of department-specific controls will be selected and sent to management or designated employees for attestation. The list will include:
   - Control description - Information on the controls selected for attestation.
   - Control requirement - Description of activities agreed upon by Compliance and departments to adhere to the control.

- Evidence - Department tools used to monitor adherence to controls (e.g., checklists and activity review signatures).
- Sample date range - Compliance supplied records sampling.
- Changes - Department notes on any changes to procedures or process since the last attestation.
- Variances - Department notes on samples that were not handled in accordance with policies and procedures.
- Comments - Department comments on control attestation observations and corrective action, if applicable.
- Compliance Review - Compliance comments after reviewing department-submitted attestation information.

Controls will be selected for attestation based on the risk assessment assigned priority, their role in remediating Internal Audit observations, follow-up from previous attestation notes, and new processes. Random selection will also be used for controls that do not fall under the factors listed. Risk assessment is a component of the Compliance Program that helps identify and rank priority risk areas for mitigation and determine areas that have been resolved, escalated, or emerged.

4. Departments will work directly with Compliance to design compliance controls. All control designs will be approved by management before being used. During the design phase, legal and policy requirements will be identified and mapped to sections of the department's policies and procedures. Department performance management tools, including reports, work queue reviews, and checklists, will be evaluated by Compliance for their effectiveness in ensuring legal compliance. Depending on the outcome of an evaluation, Compliance will provide input to ensure control design robustness. Compliance will guide management on required updates, process changes, and training, if applicable.

Compliance Control Monitoring Lifecycle

The control monitoring lifecycle outlines its stages. Effective communication with stakeholders throughout the process ensures transparency and accountability for the timely attestation of process control effectiveness and enhances OCERS' resilience. Control monitoring will be performed at least quarterly and begins when attestation documents are sent to departments. Departments will have a month to complete attestations, and Compliance will consider attestation completion extension requests based on the reasons provided.

Compliance participates in the control monitoring process by distributing the monitoring document with information on controls selected for attestation and guiding management or designated staff through the process. At the completion of department attestation activities, Compliance will have a month to review results, identify variances, and submit completed attestation documents to department management. Depending on the findings of the review, Compliance may request additional information.

The completed attestation report, with Compliance's sign-off and a memo summarizing the attestation results, will be submitted to department management and designated staff. Compliance will work with departments on variances that require corrective action and extend beyond Compliance's

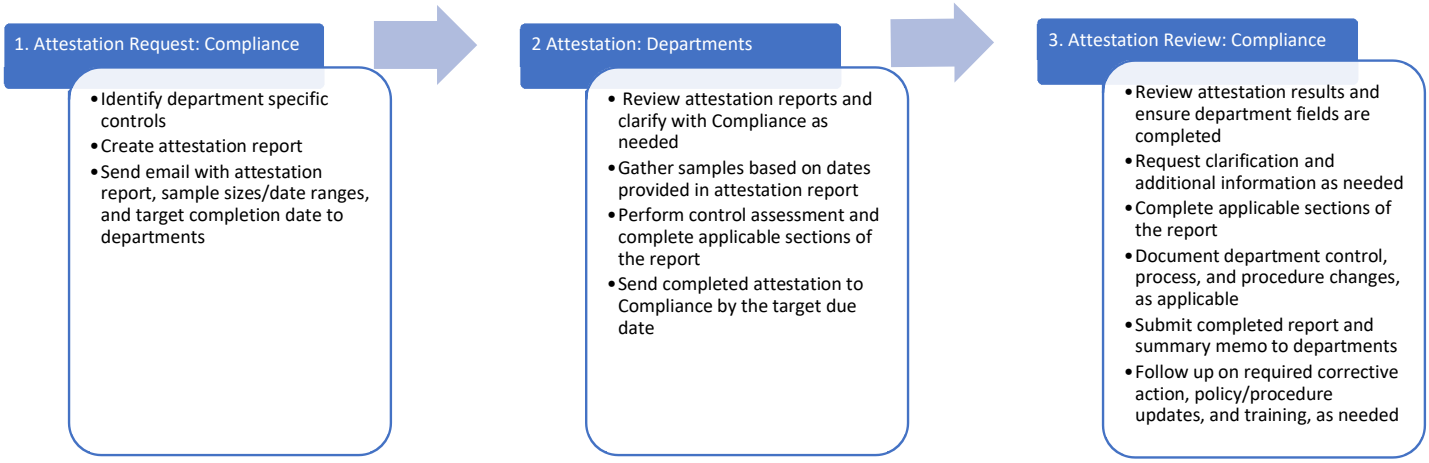
attestation review timeframe. The support will include completion timeframe guidance and feedback on department documentation updates.

Compliance will make decisions on attestation findings that need to be brought to the attention of Internal Audit based on severity and potential legal risk. Departments will be responsible for escalating such findings to their division leadership. A summary of agency-wide control attestation results will be included in Compliance reports shared with the Senior Executives and the Audit Committee.

Control Monitoring Lifecycle

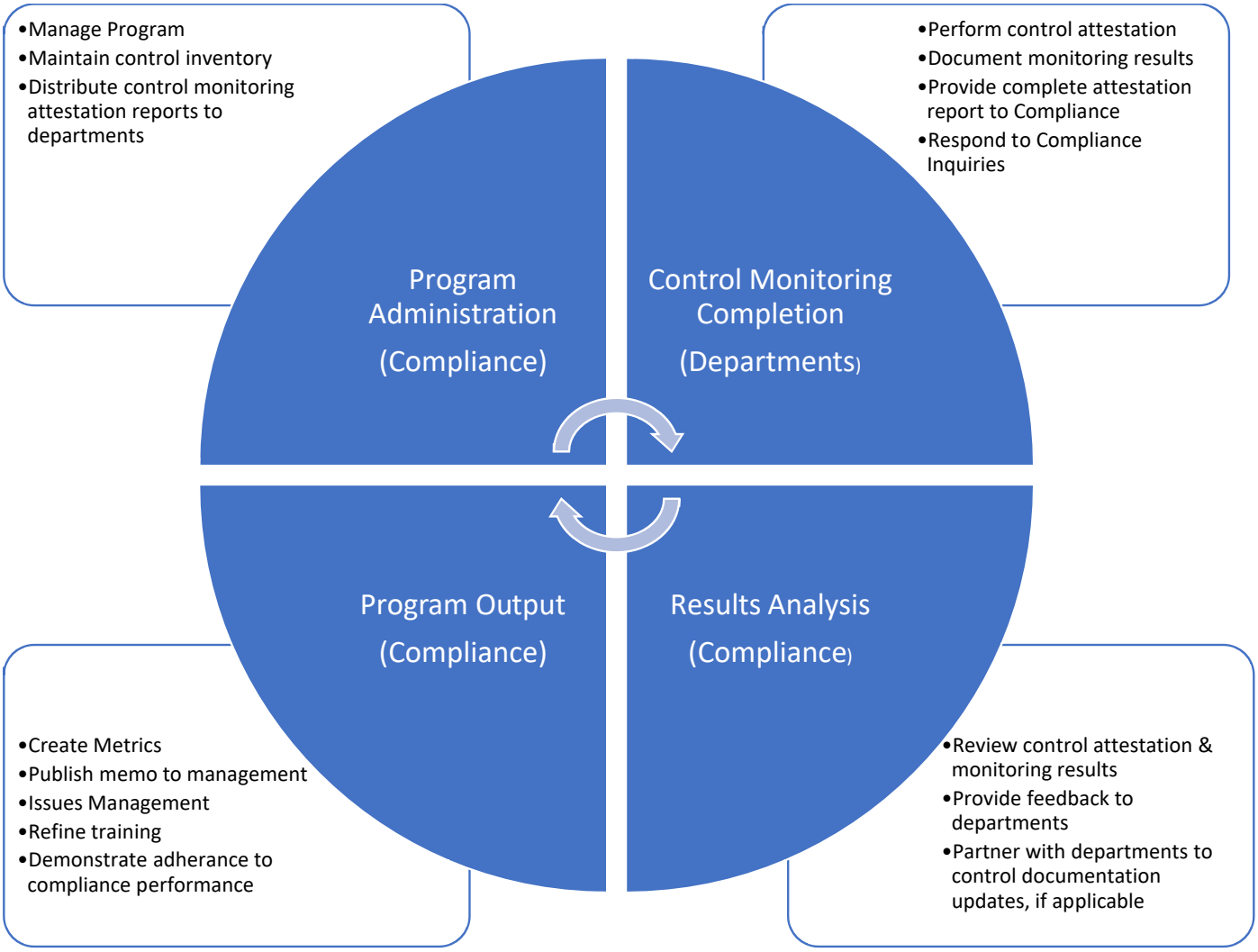
The control monitoring lifecycle outlines stages of the attestation cycle. Effective communication with stakeholders throughout the process ensures transparency and accountability for the timely completion of attestations to enhance OCERS' resilience.

The lifecycle stages are outlined below:



The Control Monitoring Program will adhere to the compliance industry's best practices. Quarterly updates, which will include key points, challenges, risk mitigation actions, and trends, will be included in compliance reports and shared with Senior Executives and bi-annually with the Audit Committee.

Cyclical Control Monitoring Effectiveness & Attestation



Compliance Partnership Statement

Compliance is committed to fostering a collaborative environment at OCERS where departments can succeed while adhering to regulatory standards. Compliance is the trusted advisor in OCERS' three lines of defense risk governance model. As the second line of defense, and with compliance processes such as control monitoring embedded in the first line of defense processes, departments can expect objective input and guidance throughout the completion of activities that support the Compliance Program elements. The same level of proactive partnership will be in place consistently to facilitate the timely detection and mitigation of risks before they escalate.

Memorandum

DATE: December 12, 2024

TO: Members of the Audit Committee

FROM: Jim Doezie, Contracts, Risk and Performance Administrator

SUBJECT: **MOSS ADAMS, LLP PERFORMANCE SURVEY REPORT**

Written Report

Background/Discussion

1. ***Performance Review Guidelines***
   According to the Procurement & Contracting Policy (Section II.E.2, page 7), the performance of every contracted Named Service Provider will be reviewed at least every three years.

2. ***Contracts with Named Service Providers***
   The performance of Named Services Providers (as defined in the Procurement & Contacting Policy (Section II.E.2, page 7) will be solicited from and reported to the Board of Retirement:

   "The performance of Named Service Providers, …. will be reviewed at least every three years." "The results of the performance reviews of Named Service Providers will be summarized and reported to the Board."

3. ***Review of Financial Auditor – Moss Adams, LLP***
   Pursuant to the above referenced policy, a performance survey was distributed for Moss Adams, LLP on August 27, 2024 for the period of June 2021, through June 2024. The notes below summarize the results:
   - Moss Adams personnel were rated as being very reliable and responsive to requests and issues
   - Most respondents are satisfied or very satisfied with the services from Moss Adams
   - The overall performance rating for the majority of those surveyed resulted in a "B" grade
   - Those surveyed would like to have Moss Adams on site more often and to interview the CIO as part of their review

4. ***Performance Review Action Item(s)***
   - The contract with Moss Adams, LLP expires March 15, 2025. The contract will be extended for another two years.

Submitted By:

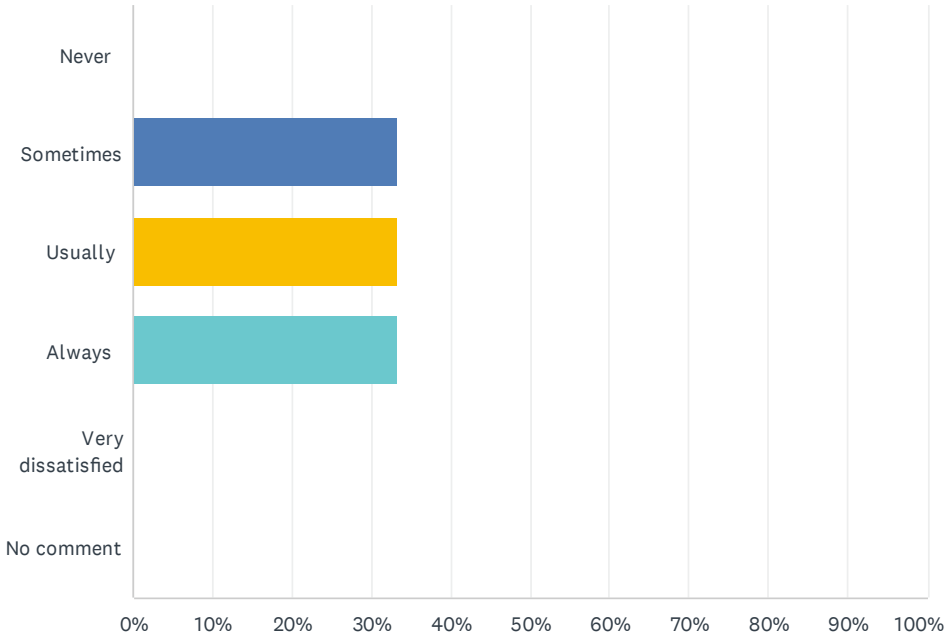
JD - Approved

Jim Doezie
Contracts, Risk and Performance Administrator

Moss Adams - Performance Review Survey - 2024

Q1 Did Moss Adams meet your general performance expectations?

Answered: 9 Skipped: 0

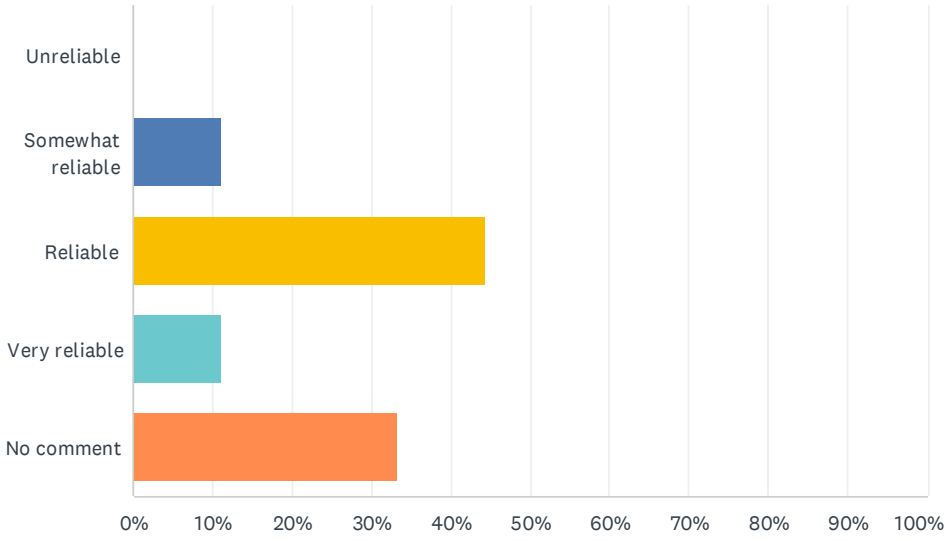


ANSWER CHOICES	RESPONSES	
Never	0.00%	0
Sometimes	33.33%	3
Usually	33.33%	3
Always	33.33%	3
Very dissatisfied	0.00%	0
No comment	0.00%	0
TOTAL		9

Moss Adams - Performance Review Survey - 2024

Q2 How reliable is Moss Adams in following through on your requests?

Answered: 9 Skipped: 0

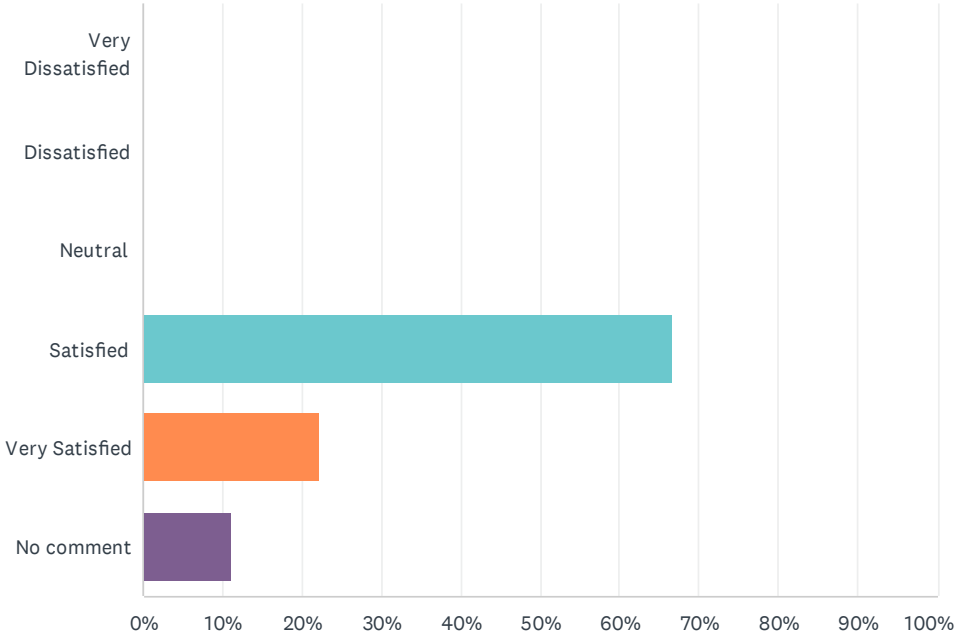


ANSWER CHOICES	RESPONSES	
Unreliable	0.00%	0
Somewhat reliable	11.11%	1
Reliable	44.44%	4
Very reliable	11.11%	1
No comment	33.33%	3
TOTAL		9

Moss Adams - Performance Review Survey - 2024

Q3 Based upon your experience, are you satisfied with the level of knowledge and expertise shown by Moss Adams?

Answered: 9 Skipped: 0

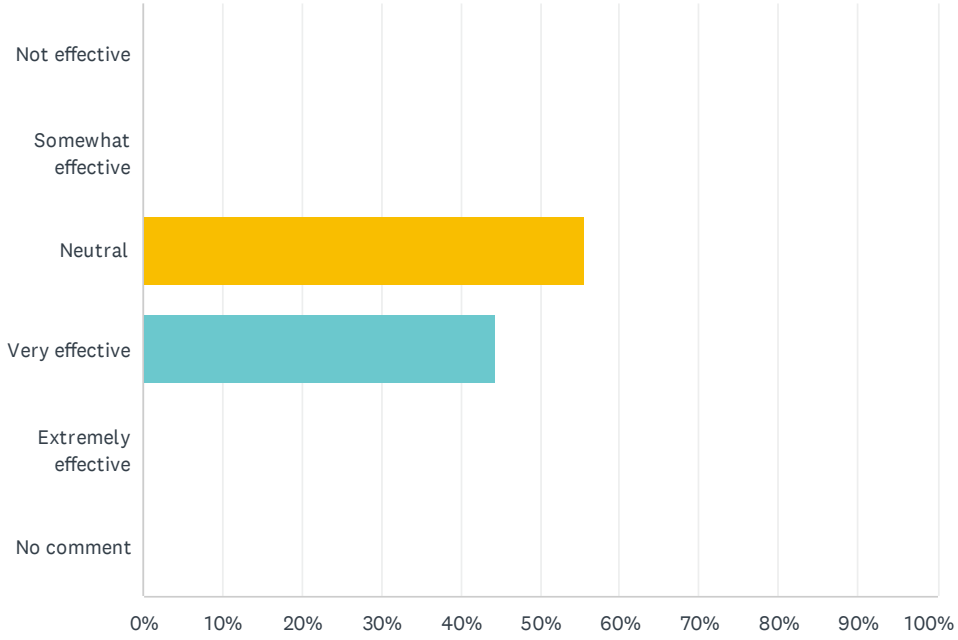


ANSWER CHOICES	RESPONSES	
Very Dissatisfied	0.00%	0
Dissatisfied	0.00%	0
Neutral	0.00%	0
Satisfied	66.67%	6
Very Satisfied	22.22%	2
No comment	11.11%	1
TOTAL		9

Moss Adams - Performance Review Survey - 2024

Q4 How effective is Moss Adams in providing guidance to the Board and staff?

Answered: 9 Skipped: 0

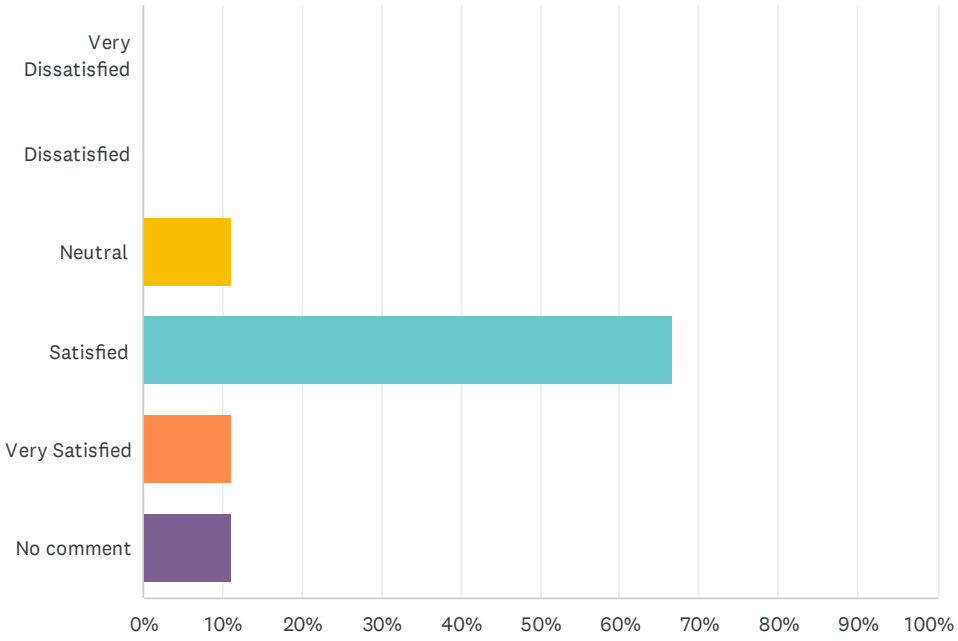


ANSWER CHOICES	RESPONSES	
Not effective	0.00%	0
Somewhat effective	0.00%	0
Neutral	55.56%	5
Very effective	44.44%	4
Extremely effective	0.00%	0
No comment	0.00%	0
TOTAL		9

Moss Adams - Performance Review Survey - 2024

Q5 How satisfied are you with the services provided by Moss Adams?

Answered: 9 Skipped: 0

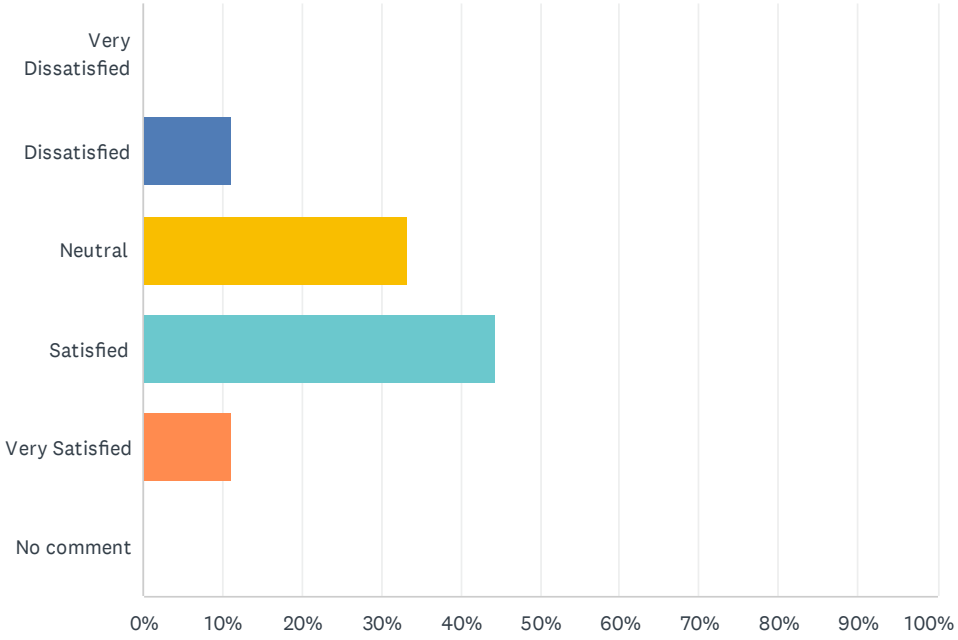


ANSWER CHOICES	RESPONSES	
Very Dissatisfied	0.00%	0
Dissatisfied	0.00%	0
Neutral	11.11%	1
Satisfied	66.67%	6
Very Satisfied	11.11%	1
No comment	11.11%	1
TOTAL		9

Moss Adams - Performance Review Survey - 2024

Q6 How satisfied are you with the value of the in-person meetings with Moss Adams?

Answered: 9 Skipped: 0

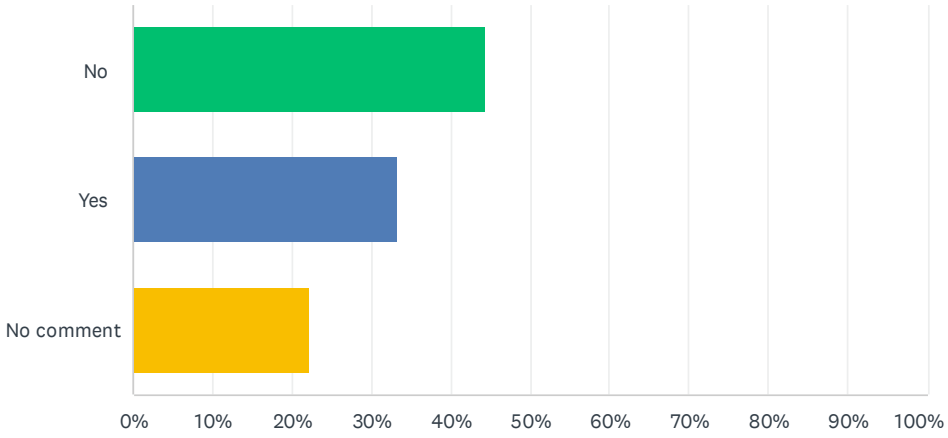


ANSWER CHOICES	RESPONSES	
Very Dissatisfied	0.00%	0
Dissatisfied	11.11%	1
Neutral	33.33%	3
Satisfied	44.44%	4
Very Satisfied	11.11%	1
No comment	0.00%	0
TOTAL		9

Moss Adams - Performance Review Survey - 2024

Q7 Are changes required in order to continue business with Moss Adams?

Answered: 9 Skipped: 0

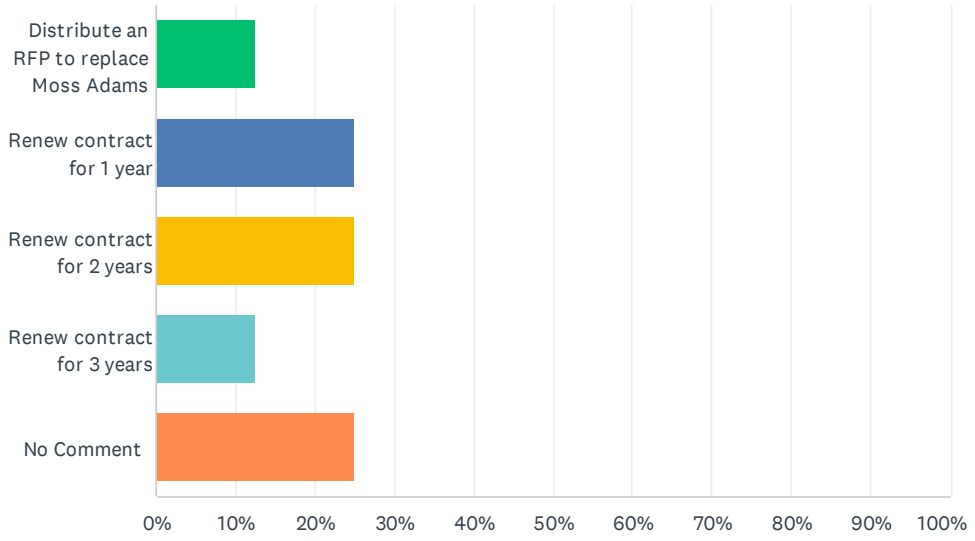


ANSWER CHOICES	RESPONSES	
No	44.44%	4
Yes	33.33%	3
No comment	22.22%	2
TOTAL		9

Moss Adams - Performance Review Survey - 2024

Q8 The term of the existing contract ends March 15, 2025. Should OCERS issue an RFP to explore other options for Financial Auditor? If your preference is to renew, do you prefer a 1, 2, or 3 year contract renewal option?

Answered: 8 Skipped: 1

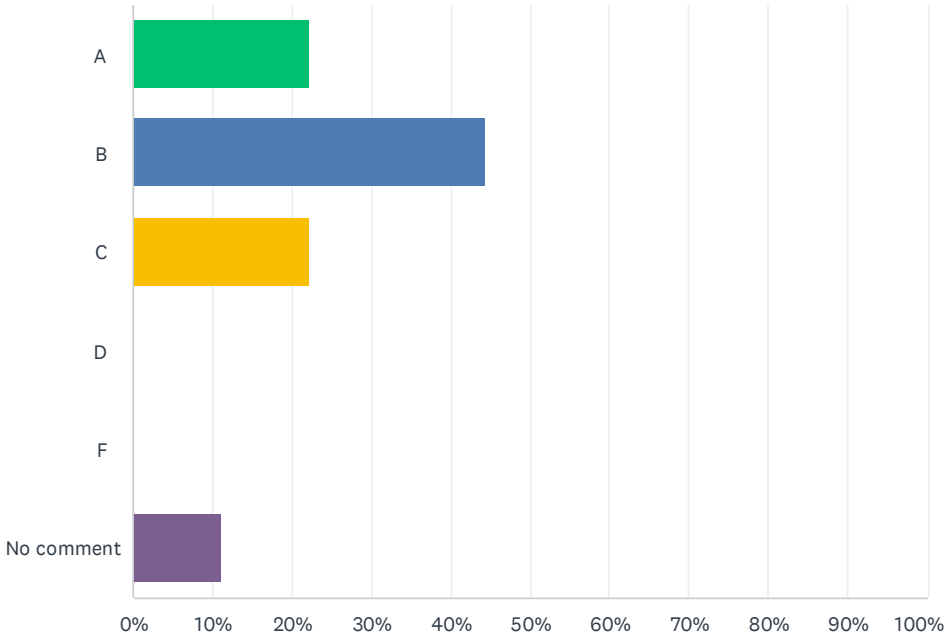


ANSWER CHOICES	RESPONSES	
Distribute an RFP to replace Moss Adams	12.50%	1
Renew contract for 1 year	25.00%	2
Renew contract for 2 years	25.00%	2
Renew contract for 3 years	12.50%	1
No Comment	25.00%	2
TOTAL		8

Moss Adams - Performance Review Survey - 2024

Q9 What is your overall performance rating for Moss Adams?

Answered: 9 Skipped: 0



ANSWER CHOICES	RESPONSES	
A	22.22%	2
B	44.44%	4
C	22.22%	2
D	0.00%	0
F	0.00%	0
No comment	11.11%	1
TOTAL		9

Moss Adams - Performance Review Survey - 2024

Q10 Do you have any comments, concerns, or suggestions about Moss Adam's performance?

Answered: 5 Skipped: 4

Memorandum

DATE: December 12, 2024

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **MANAGEMENT ACTION PLAN VERIFICATION REPORT**

Written Report

Background/Discussion

Under the International Standards for the Professional Practice of Internal Auditing ("Standards"), Internal Audit must establish and maintain a system to monitor the disposition of prior results communicated to management. This includes a follow-up process to monitor and ensure that management action plans have been implemented or that management and the Audit Committee has accepted the risk of not taking action.

The follow-up on management action plans (MAPs) involves:

- Confirming management has implemented an action plan and no further action is required.
- Internal Audit has tested the operational effectiveness MAP.

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.

An additional report has been created called the Management Action Plan Aging report. This report includes MAPs that are still open but with a due date prior to the Audit Committee date of December 12, 2024. The report includes the total number of outstanding days as well as a revised due date received from management.

Submitted by:

PL - Approved

_____

Philip Lam
Director of Internal Audit

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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, ARCHIVED	OPEN	Closed - No Further Action Required (YTD)	Closed - No Further Action Required (Prior Years)	Total
Process Owner				
EMPLOYER	1	7	12	20
EXECUTIVE	0	1	7	8
FINANCE	0	2	1	3
HUMAN RESOURCES	0	2	2	4
INFORMATION SECURITY	7	10	2	19
INFORMATION TECHNOLOGY	1	6	8	15
INVESTMENTS	0	0	4	4
MEMBER SERVICES	0	8	31	39
Total Count:	9	36	67	112

Executed: *12/2/2024 4:04:26 PM*
Executed By: *OCERS\madviento*

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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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: 84 - 2338 - OC Transportation Auth

PROCESS OWNER: EMPLOYER

Report Date: 06/06/2024

Total Observations: 1

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. OPEN

Due Date:	07/31/2024	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.	
IA Follow-Up:	IA to follow up with OCTA at the next revised due date. Pending OCERS update of its Membership Eligibility Requirements Policy, the action plan could possibly be adjusted.	

Project: 83 - 2491 - CIS Controls Assessment

PROCESS OWNER: INFORMATION SECURITY

Report Date:

Total Observations: 5

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

Due Date:		On Schedule
Action Plan:	Details Removed - Discussed in Closed Session	
IA Follow-Up:		

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

Due Date:		On Schedule

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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:	

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

Due Date:	**On Schedule**
Action Plan:	Details Removed - Discussed in Closed Session
IA Follow-Up:	

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

Due Date:	**On Schedule**
Action Plan:	Details Removed - Discussed in Closed Session
IA Follow-Up:	

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

Due Date:	**On Schedule**
Action Plan:	Details Removed - Discussed in Closed Session
IA Follow-Up:	

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

PROCESS OWNER: INFORMATION SECURITY

Report Date: 01/19/2024

Total Observations: 2

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

Due Date:	**On Schedule**

Executed: *12/2/2024 4:04:26 PM*
Executed By: *OCERS\madviento*

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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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:	

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

Due Date:	**On Schedule**
Action Plan:	Details Removed - Discussed in Closed Session
IA Follow-Up:	

Project: 39 - 1971-IT General Controls

PROCESS OWNER: INFORMATION TECHNOLOGY

Report Date: 06/04/2020

Total Observations: 1

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

Due Date:	12/31/2024 — **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.
IA Follow-Up:	IT to discuss solutions with other vendors. IT will focus on Member data and related data from business processes (e.g. member payroll, death data). Focus on data flows either instead of or before data classifications, depending on the nature of the observation.

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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.

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Management Action Plan Status Report

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

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IA Follow-Up:	IA confirmed the status was updated for the four members.

OBSERVATION #2 - ONE MEMBER DID NOT HAVE A MEMBER AFFIDAVIT ON FILE IN THE PAS AND FIVE ADDITIONAL MEMBER AFFIDAVITS WERE SENT TO OCERS WITH MISSING INFORMATION. CLOSED

Completion Date:	08/01/2023 — MAP Status Unassigned
Action Plan:	All future Member Affidavit forms will be reviewed for accuracy and completeness by the CFCOC Assistant to CEO at time of onboarding new staff. A final review of the form will be performed by CFCOC Director of Finance before being submitted to OCERS. CFCOC will either amend or correct affidavits currently on file that are incomplete depending on direction from OCERS.
IA Follow-Up:	IA confirmed updated member affidavit forms.

OBSERVATION #3 - THERE ARE NO FORMAL INTERNAL GUIDELINES HELPING TO MONITOR INDEPENDENT CONTRACTORS FOR COMPLIANCE WITH IRS REGULATIONS DEFINING INDEPENDENT CONTRACTORS. CLOSED

Completion Date:	05/04/2023 — MAP Status Unassigned
Action Plan:	CFCOC staff will work with Commission Counsel and develop internal guidelines.
IA Follow-Up:	IA confirmed internal guidelines were developed.

Project: 65 - 2332 - OC Superior Court

PROCESS OWNER: EMPLOYER

Report Date: 04/05/2023

Total Observations: 2

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

Completion Date:	08/01/2023 — MAP Status Unassigned
Action Plan:	OC Superior Court to send existing records of OCERS Termination Notices to eaa@ocers.org for all 13 members indicating the separation dates.
IA Follow-Up:	IA confirmed status for all 13 members.

OBSERVATION #2 - 2. TWO MEMBERS DID NOT HAVE A MEMBER AFFIDAVIT ON FILE IN THE PAS AND FIVE ADDITIONAL MEMBER AFFIDAVITS WERE SENT TO OCERS WITH EITHER MISSING INFORMATION OR ON AN OUTDATED FORM. CLOSED

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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:	04/17/2023	MAP Status Unassigned
Action Plan:	The Court will complete the following: • Send the two OCERS Member Affidavits that are missing from OCERS Records to employerpayroll@ocers.org • OCERS Member Services instructed the Court to obtain emails from the three members with missing information answering the following: "Are you a member of any other public retirement system in the state of California? If yes, please list other public retirement systems along with dates of service. If no please respond to confirm you do not have any other public service in California" Emails to be sent by the Court HR to the employees to obtain their responses • OCERS Member Services instructed the Court to obtain emails from the two members with outdated forms answering the following: "Are you a member of any other public retirement system in the state of California? If yes, please list other public retirement systems along with dates of service. If no please respond to confirm you do not have any other public service in California" Emails to be sent by the Court HR to the employees to obtain their responses	
IA Follow-Up:	IA Confirmed the necessary information was provided to OCERS	

Project: 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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 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	MAP Status Unassigned
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: 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	MAP Status Unassigned
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.	
IA Follow-Up:	IHSS Public Authority provided the refund transmittals	

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 #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: 84 - 2338 - OC Transportation Auth

PROCESS OWNER: EMPLOYER

Report Date: 06/06/2024

Total Observations: 1

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.	

Project: 85 - 2431 - OC Public Law Library

PROCESS OWNER: EMPLOYER

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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."

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: 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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Management Action Plan Status Report

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

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Completion Date:	04/20/2023	MAP Status Unassigned
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.	

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Management Action Plan Status Report

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

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IA Follow-Up:	New Senior Manager hired. Internal Audit reviewed the Data Entry review schedule provided by management.

OBSERVATION #8 - 8. WE NOTED POTENTIAL ROOM FOR IMPROVEMENT WITH EITHER THE POLICY OR WITH THE ADDITION OF NEW PROCEDURES. CLOSED

Completion Date:	04/20/2023 — MAP Status Unassigned
Action Plan:	Policy Issue: A. Management will recommend changes to the Procurement and Contracting Policy regarding the approvals required for a contract whose value is unknown at the time of execution. B. Management will recommend changes to the Procurement and Contracting Policy to clarify proper approval of Named Service Providers C. Management will implement a process to track diverse and/or minority owned businesses in an RFP distribution sheet.
IA Follow-Up:	IA confirmed the Policy was updated to address instances when a contract value is not known at the time of execution, and to clarify the proper approval of Named Service Providers. Diverse Vendor tracking action plan is complete

Project: 44 - 1944 - Finance Benefits Audit

PROCESS OWNER: FINANCE

Report Date: 01/13/2020

Total Observations: 1

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

Completion Date:	03/14/2022 — MAP Status Unassigned
Action Plan:	Management will establish procedures to delete copies of the ACH text files from local hard drives after a copy of the file has been uploaded to Wells Fargo. Finance will work with IT and Vitech to consider the cost/benefit of changing the ACH file process to directly upload an ACH file once it has been created in V3 and directly downloading the file to a secured network folder in the Finance directory.
IA Follow-Up:	IA confirmed with the Finance team the deletion of the ACH file from the local hard drive is now being performed by management. IA reviewed the procedures updated to reflect this practice. Due to COVID, the cost/benefit analysis has been moved to 2021. 2/3/22 - OCERS IT was able to modify the PM Export file process. The PM Export is now going to be run as a batch export file and will automatically save into a new secured folder location in the Finance folder on the F drive. In addition, access to run the PM Export is restricted to the Finance Accountant Auditor, Senior Accountant Auditor and Supervisor roles 3/14/22 - IA was able to confirm the PM Export file automatically uploads to a secured folder with limited access. IA also confirmed a documented procedure exists.

Project: 79 - 2342 - Accounts Payable Audit

PROCESS OWNER: FINANCE

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Management Action Plan Status Report

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

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Report Date: 03/28/2024

Total Observations: 2

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

Completion Date:	05/14/2024	On Schedule
Action Plan:	1. During the implementation of the ERP system, Finance purged inactive vendors from its previous accounting system, importing only active vendors into the new system that went live in 2022. Finance continues to review processes and procedures for improvement and starting in January 2024, as recommended by Internal Audit, we formally documented the annual review of the Vendor Maintenance List for the year ended December 2023 identifying vendors that could potentially be made inactive if they continue to have no activity during 2024. 2. Quarterly reconciliation of accrued payables is completed each quarter. The Accounts Payable Accountant prepares the accrual entries. The Finance Manager reviews the entries and the accrual balance for accuracy. Going forward, beginning with 4th quarter 2023, a sign-off will be noted within the file.	
IA Follow-Up:	IA confirmed the review of the Vendor Maintenance list and the Quarterly accrued payables reconciliation were performed	

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

Completion Date:	05/14/2024	On Schedule
Action Plan:	During 2022, the Finance Team reorganized the department's accounting folders and purged a large number of documents and folders in adherence with the Records Management Policy. The files in question were missed in the original purging of records and have since been deleted. As part of the Legal Department's year-end request for an annual certification of compliance with the Records Management Policy for each department, the Finance Director emails all Finance Team Members to confirm that they are in compliance with the policy. As part of this compliance and to maintain records within the required retention period, all Finance Team members will purge files at the end of June each year, after the financial audit and other external reporting have been completed.	
IA Follow-Up:	IA confirmed the identified folders were deleted.	

Project: 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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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:		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
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: 33 - 2090 - Vulnerability and Patch Management

PROCESS OWNER: INFORMATION SECURITY

Report Date: 03/22/2021

Total Observations: 1

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION — CLOSED

Completion Date:	08/07/2024	On Schedule
Action Plan:	Details Removed - Discussed in Closed Session	
IA Follow-Up:	Information Security provided the related policies	

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

PROCESS OWNER: INFORMATION SECURITY

Report Date: 01/19/2024

Total Observations: 10

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 #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 #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.	

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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

Completion Date:	03/13/2024	On Schedule
Action Plan:	Details Removed - Discussed in Closed Session	
IA Follow-Up:	Item complete	

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

Completion Date:	03/13/2024	On Schedule
Action Plan:	Details Removed - Discussed in Closed Session	
IA Follow-Up:	Item complete	

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

Completion Date:	05/13/2024	On Schedule
Action Plan:	Details Removed - Discussed in Closed Session	
IA Follow-Up:	Item completed	

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

Completion Date:	05/13/2024	On Schedule
Action Plan:	Details Removed - Discussed in Closed Session	
IA Follow-Up:	Item completed	

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

Completion Date:	12/29/2023	On Schedule
Action Plan:	Details Removed - Discussed in Closed Session	
IA Follow-Up:	Item completed	

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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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:	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: 1

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 comleted.	

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

PROCESS OWNER: INFORMATION TECHNOLOGY

Report Date: 10/23/2018

Total Observations: 1

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 #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	MAP Status Unassigned
Action Plan:	Management agreed to the following recommendation: OCERS' management should re-assign the duties of configuring updated rates in V3 from OCERS' Director of IT to the appropriate personnel for cross-training, process documentation, and backup purposes. The revised process will encompass multiple departments, and will segregate duties related to preparing the rate schedules, data input into V3 and verification/audit of contribution rates.	
IA Follow-Up:	IA confirmed the delegation of the configuration uploads to the IT Programming team and the review by Member Services of the updates to the pension administration system.	

Project: 6 - 1901 - Finance Contributions audit

PROCESS OWNER: INFORMATION TECHNOLOGY

Report Date: 05/16/2019

Total Observations: 1

OBSERVATION #1 - A FORMAL PERIODIC REVIEW OF PROPER USER ACCESS TO OCERS APPLICATIONS AND NETWORK IS NOT DOCUMENTED BY THE APPROPRIATE MEMBERS OF THE BUSINESS. CLOSED

Completion Date:	08/07/2024	On Schedule
Action Plan:	Per IT Governance and Information Security action items to address Center for Internet Security (CIS) Control 16: Account Monitoring and Control, OCERS IT and the Executive management team are establishing the following: 1. Develop Account Management and Access Control Policies. 2. Create an annual User Account review process and supporting documentation. 3. Setup means for staff to review and enter data in SharePoint with associated workflow to complete and track reviews initiated with IT managed systems.	
IA Follow-Up:	IT/InfoSec has: 1.Developed the Account Management and Access Control Policies. 2. Created an annual User Account review process and supporting documentation. 3. Established a means for staff to review data	

Project: 36 - 1943 2019 BCDR Audit

PROCESS OWNER: INFORMATION TECHNOLOGY

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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."

Report Date: 10/17/2019

Total Observations: 2

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

Completion Date:	04/10/2024	On Schedule
Action Plan:	OCERS IT will formalize and adopt a new Business Continuity and Disaster Recovery test plan that will include test activities, confirmation, and sign-off by the various business units within OCERS.	
IA Follow-Up:	IT developed a test plan that will require coordination with management to perform testing for IT managed systems. This includes an assessment form and a department validation forms to be completed by management participants.	

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

Completion Date:	04/10/2024	On Schedule
Action Plan:	End User documents are being developed for the purpose of providing recovery instructions to the crisis management team, in the event IT staff are not available in the event of an emergency. The documents will provide simple easy to follow instructions on how to failover and/or recover sites or systems in the event of a technology failure. These documents will be included in OCERS IT Backup and Recovery test plan stored in Catalyst to ensure procedures are complete and can be followed by non- IT staff	
IA Follow-Up:	Documentation of the recovery process was provided. IT and InfoSec noted that IT staff with the appropriate level of access would be needed for the recovery process and that there are enough IT and InfoSec staff for BCDR situations. Management will still develop documented procedures for recovery but geared towards IT Staff.	

Project: 39 - 1971-IT General Controls

PROCESS OWNER: INFORMATION TECHNOLOGY

Report Date: 06/04/2020

Total Observations: 2

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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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:	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

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.

Project: 42 - 2032 - Actuarial Extract Audit

PROCESS OWNER: INFORMATION TECHNOLOGY

Report Date: 10/13/2020

Total Observations: 6

OBSERVATION #1 - 1. THE PENSION ADMINISTRATION SYSTEM'S ACTUARIAL EXTRACT REPORTING DOES NOT EXTRACT THE CORRECT STATUS (E.G. ACTIVE, DEFERRED, RETIRED, TERMINATED) OF A MEMBER UNDER CERTAIN SCENARIOS, RESULTING IN THE NEED TO MANUALLY CORRECT THE ACTUARIAL EXTRACT REPORT CLOSED

Completion Date:	09/22/2021 — MAP Status Unassigned
Action Plan:	OCERS is working with pension administration vendor to correct issues associated with the member status logic used for the actuarial export and subsequent data cleanup.
IA Follow-Up:	Member status logic recoding is complete and deployment launched.

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 #2 - 2. IT PROGRAMMING PERFORMS LOGICAL TESTING OF THE PROGRAMMING CODE BEHIND ITS ACTUARIAL EXTRACT VALIDATION PROCESS BUT DOES NOT KEEP FORMALIZED DOCUMENTATION EVIDENCING THE TESTING. CLOSED

Completion Date:	03/11/2021	MAP Status Unassigned
Action Plan:	The IT Programming team will formalize and document the process by which logical testing of our actuarial validation code will be performed.	
IA Follow-Up:	Formalized testing process has been documented and reviewed by IA	

OBSERVATION #3 - 3. FORMAL DOCUMENTATION OF THE APPROVAL OF VALIDATION PROGRAMMING CODE CHANGES DOES NOT EXIST. CLOSED

Completion Date:	03/11/2021	MAP Status Unassigned
Action Plan:	The IT Programming team will formalize and document the process of how actuarial extract validation code changes will be approved, including how all approvals will be tracked and logged within our system.	
IA Follow-Up:	IT Programming has formalized the code change validations process.	

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.	

OBSERVATION #6 - 6. A MINOR VARIANCE NOTED AND ADDRESSED DURING THE VALIDATION PROCESS WAS NOT ACCURATELY UPDATED IN THE DATA EXTRACT FILE SENT TO THE ACTUARY. CLOSED

Completion Date:	03/11/2021	MAP Status Unassigned
Action Plan:	The IT Programming team will enhance its process to incorporate all validation review updates and related data cleanup changes to ensure all updates are included in the final export to OCERS Actuary.	
IA Follow-Up:	Data cleanup process has been updated and data validation has occurred.	

OBSERVATION #7 - 7. OCERS ACTUARIAL EXTRACT PROCESSING GUIDE DOES NOT DESCRIBE INFORMATIONAL QUERIES WHICH DO NOT REQUIRE INVESTIGATION UNLESS REQUESTED BY SEGAL. CLOSED

Completion Date:	03/11/2021	MAP Status Unassigned
Action Plan:	The IT Programming team will add a section to the Actuarial Extract Processing guide that will describe the additional Informational queries available to OCERS staff to preview potential member datasets based on annual actuarial review question posed by OCERS actuary.	
IA Follow-Up:	IA confirmed the Actuarial Extract Processing guide has been updated with the informational queries description.	

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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: 33 - 2090 - Vulnerability and Patch Management

PROCESS OWNER: INFORMATION TECHNOLOGY

Report Date: 03/22/2021

Total Observations: 1

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

Completion Date:	05/27/2021	MAP Status Unassigned
Action Plan:	Details Removed - Discussed in Closed Session	
IA Follow-Up:	Closed	

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: 17 - Audit of OCERS' Due Diligence Process (2015)

PROCESS OWNER: INVESTMENTS

Report Date: 08/06/2015

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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."

Total Observations: 2

OBSERVATION #1 - NO DUE DILIGENCE POLICY — CLOSED

Completion Date:	01/07/2021	MAP Status Unassigned
Action Plan:	Management has agreed to the recommendation: The CIO and his staff should create written procedures that specifically document the steps necessary to conduct adequate due diligence. We concur with the recommendation that written procedures are desirable, and staff is working on the development of a document that would fulfill this objective.	
IA Follow-Up:	The CIO and Investment Team developed Investment due diligence procedural documents including the Contract Due Diligence Checklist Procedure document and the Contract Due Diligence Checklist document.	

OBSERVATION #4 - MANAGER RFP STANDARDIZED QUESTIONING — CLOSED

Completion Date:	01/07/2021	MAP Status Unassigned
Action Plan:	Management has agreed to the recommendation: Future RFP questionnaires should include interrogatories regarding a manager's operational infrastructure and negative findings disclosed from their annual external audit. We agree that future RFPs should include standard (first-stage or second stage) provisions and questions that are relatively uniform regarding due diligence, operations, and related legal, regulatory and compliance risks. The cited incident was an oversight that need not recur. Written procedures and a process to review those routinely will be helpful to assure consistency.	
IA Follow-Up:	Investments included in the Contract Due Diligence Checklist document and the Compliance Report document steps to validate operational infrastructure of money managers.	

Project: 8 - Audit of OCERS' Private Equity Managers Abbott Capital and Pantheon (2016)

PROCESS OWNER: INVESTMENTS

Report Date: 03/21/2016

Total Observations: 1

OBSERVATION #4 - CONSIDERATION OF ILPA BEST PRACTICES — CLOSED

Completion Date:	01/25/2021	MAP Status Unassigned
Action Plan:	OCERS should implement Institute of Limited Partners Association (ILPA) best practices in LPAs with direct investment private equity funds if OCERS goes into direct private equity program. In considering whether OCERS should adopt a direct private equity program, OCERS' Investments management should consider the cost of implementing the ILPA best practices. OCERS investment staff will first work with our private equity fund of funds managers to monitor their use of ILPA guidelines and best practices, as we further our own internal education about these evolving standards.	
IA Follow-Up:	Investment Team developed a guide to track and assess the key legal and ILPA-related terms OCERS negotiates through the private markets investment manager contracting processes.	

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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: 58 - 2211 - Investment Manager Fee Report

PROCESS OWNER: INVESTMENTS

Report Date: 03/30/2022

Total Observations: 1

OBSERVATION #1 - EVIDENCE OF MANAGEMENT REVIEW OVER THE PREPARATION OF THE FEE REPORT AND THE UNDERLYING EXCEL SCHEDULE USED TO HELP COMPILE THE REPORT IS NOT FORMALIZED AND RETAINED — CLOSED

Completion Date:	09/12/2022	MAP Status Unassigned
Action Plan:	We acknowledge and concur with the observation. We believe that documenting the process will strengthen Investment Division's procedures while also providing a strong audit trail.	
IA Follow-Up:	Internal Audit reviewed the Fee Report Procedure and signoff for the 2021 Annual Fee Report presented at the August 2022 Investment Committee meeting.	

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

PROCESS OWNER: MEMBER SERVICES

Report Date: 12/04/2012

Total Observations: 2

OBSERVATION #1 - MANUAL FAS OVERRIDE — CLOSED

Completion Date:	09/13/2022	MAP Status Unassigned
Action Plan:	Management agreed to the following recommendation: Subsequent changes made to FAS after the initial benefit setup process should require a supervisory approval prior to making an override in the system. Additionally, management should use a system-generated report from V3 that lists all manual overrides to identify all such changes made in the system. Management should review and sign off on each manual override on that report for propriety and accuracy to mitigate the risk of unauthorized or incorrect amounts being entered in the system.	
IA Follow-Up:	IA to confirmed the new QA process reviews all manual FAS overrides with the new 100% accruacy process	

OBSERVATION #8 - MANUAL FAS SUPPORTING DOCUMENTATION — CLOSED

Completion Date:	09/16/2021	MAP Status Unassigned

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Management Action Plan Status Report

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

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Action Plan:	Management agreed to the following recommendation: All manual overrides to data should be fully documented with the staff that made the change, date the change was made, prior amount, revised amount, and reason for the change with supervisory approval documented in V3 in accordance with the current method of maintaining supporting documentation for benefits calculation. Member Services personnel are required to document V3 via note for any member file that requires a manual override.
IA Follow-Up:	IA to confirmed the FAS Review process contains steps to review the supporting documenation.

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

PROCESS OWNER: MEMBER SERVICES

Report Date: 06/24/2016

Total Observations: 6

OBSERVATION #1 - OVERPAYMENT TO DECEASED MEMBERS — CLOSED

Completion Date:	12/21/2021 — MAP Status Unassigned
Action Plan:	The deceased members identified by Internal Audit will be processed immediately according to the specific circumstances of the accounts. Overpayments will be processed according to policy and beneficiaries will be contacted regarding lump sum payment options for refunds. Management will investigate possible options for instituting a multi-step review process to ensure entries are made into V3 or a quarterly/annually comparison of the database with the information from a death match service provider.
IA Follow-Up:	Member Services has repaid or wrote off $421,402 of the $990,694 of the 24 deferred members. Additionally, Member Services has recovered $16,008 of the $20,620 from the four deceased payees. Process is in place to review updates from death data vendor. Member Services will provide updates to the remaining overpayments bi-annually to Internal Audit, starting June 2022

OBSERVATION #2 - MANUAL QUERY OF V3 UNTIL NEW REPORT IS CREATED — CLOSED

Completion Date:	12/21/2021 — MAP Status Unassigned
Action Plan:	The overpayment to the specific member and DRO payee identified by Internal Audit will be dealt with immediately according to current policy. As V3 is currently configured the system will prevent future overpayments from occurring by suspending the benefit once a death date is entered. The items on the overpayment log need to be reconciled with V3 as a post-go live project but it was envisioned that V3 will replace the need for a manual spreadsheet outside of the system. A query or report may be needed during the transition period.
IA Follow-Up:	Query has been implemented. Recoupment of overpayment to be reviewed biannually with Internal Audit. The Benefit Recoupment Report has been created, refer to Benefit Recoupment Report 2021.pdf

OBSERVATION #3 - CERTIFICATION LETTERS — CLOSED

Completion Date:	04/07/2021 — MAP Status Unassigned

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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:	Management agreed to the following recommendation: OCERS' management should consider sending a certification letter to payees over a selected age to confirm the status of the payee. Management should consider stopping benefit payments if OCERS does not receive a response after a reasonable number of attempts in order to incentivize the payee to return the letter. OCERS' management should also consider the costs/benefits of hiring a third party to perform random physical alive and well checks with payees that meet a given profile. However clear communication will need to be developed as the payees within this demographic may be the hardest to reach. In addition, the implications to payee's medical insurance needs to be considered any time a benefit is suspended.
IA Follow-Up:	After Member Services management discussed formulating a formal policy addressing when such certification letters should be sent and to whom after the result of a cost benefit analysis to be performed. Certification letters are sent to all international payees. Member Services relies on the death match file for updates to domestic members.

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

OBSERVATION #5 - MEMBER BANKING INFORMATION WITHIN V3 — CLOSED

Completion Date:	09/23/2021 — MAP Status Unassigned
Action Plan:	Management agreed to the following recommendation: To reduce the possibility of fraudulently diverting benefit payments for deceased members, OCERS should implement automated checks and balances within the V3 system to ensure that no one employee can unilaterally change a payee's banking information without supervisory approval. The resulting change to V3 may require an additional change order to reconfigure the V3 system. However, the headline risk to OCERS outweighs the financial cost of making such a change.
IA Follow-Up:	Workflow approvals were reviewed by Internal Audit. An audit in member banking to be proposed as a future audit.

OBSERVATION #6 - PRO-RATING FINAL PAYMENT FOR DECEASED MEMBERS — CLOSED

Completion Date:	02/25/2021 — MAP Status Unassigned

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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:	OCERS' management should consider the costs versus benefits of prorating a deceased member's final monthly benefit payment based upon the actual date of death versus making a full payment. V3 is not configured to calculate a prorated final benefit payment and a prorated initial continuance benefit payment effective the day after death for the remainder of the month. OCERS would have to pay additional costs to have Vitech reconfigure V3 and for OCERS' employees and consultants to test the changes. The estimated cost of reconfiguring and testing V3 to prorate the final benefit payment, the initial continuance payment, and payroll deductions is estimated by Vitech at $144,000. In addition, management estimates that testing of the system changes would need to be done by staff or consultants at an estimated cost of $150,000. A prorated final benefit policy would also result in more overpayments for Member Services to pursue for collection since the benefit payment is paid on the first of the month. Under current policy, deaths reported to OCERS in the month following death allows enough time for Member Services to terminate the benefit with no need to prorate. Under a prorated policy, it would be impossible for Member Services to prorate the final payment on the 1st of the month if the death was reported in the month after death. Member Services would possibly need to cross train staff in collection efforts to accommodate such an increase in collection efforts. Management Response Management considered the costs versus benefits of adopting a proration of the final benefit payment policy, but determined to continue the current practice of paying in full the final month's benefit. Prorating the member's final payment and survivor continuance first payment introduces additional complexity to the administration of the system and would require additional staff in Member Services and possibly Finance, in addition to the V3 configuration changes. Retiree payroll is typically
IA Follow-Up:	Management considered the costs versus benefits of adopting a proration of the final benefit payment policy, but determined to continue the current practice of paying in full the final month's benefit.

Project: 20 - Audit of OCERS' Service Credit Purchase Process (2016)

PROCESS OWNER: MEMBER SERVICES

Report Date: 11/29/2016

Total Observations: 1

OBSERVATION #1 - WORK IN PROCESS REPORTING — CLOSED

Completion Date:	04/07/2021	MAP Status Unassigned
Action Plan:	OCERS' management agrees to initiate discussions with Vitech for best cost-benefit solutions to building work-in-process reporting to track the status of buybacks throughout its business processes to provide additional management oversight of staffing and resources; track compliance with business goals; and improve customer service response times to members.	
IA Follow-Up:	IA has verified that OCERS has implemented a work-in-process tracking database within SharePoint.	

Project: 31 - Disability Payment Audit (2018)

PROCESS OWNER: MEMBER SERVICES

Report Date: 01/28/2019

Total Observations: 1

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 - DISABILITY PAYMENT CALCULATION — CLOSED

Completion Date:	01/05/2022 — MAP Status Unassigned
Action Plan:	Member Services will be continuing to review with increased diligence or newly implementing to ensure accuracy of Disability benefits that are setup: • Ensure that all disability benefits are peer audited (FAS calc) before benefit setup, including disability recalculations (from Service Retirement to SCD, Service Retirement to NSCD, NSCD to SCD) • Verify selected data points on the "New Benefit Setup Validation Report" (which will contain a subset of 16 reports – expected to be ready by Q3 2019) • Additional training will be provided to the RPS assigned to the disability department (this was a new position in 2018). These types of benefits are more specialized 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: 2

OBSERVATION #1 - A FORMAL RECONCILIATION WAS NOT PERFORMED TO ENSURE THE PAY ITEMS REPORTED TO THE BOARD ACCURATELY AND COMPLETELY CORRESPONDED WITH THE CONFIGURATION IN V3. — CLOSED

Completion Date:	09/16/2021 — MAP Status Unassigned
Action Plan:	Member Services will address the variances noted in the audit, which includes making the appropriate configuration updates to the V3 system, communicating the updates to the Employers and following procedures in the OCERS' Overpaid and Underpaid Plan Contributions Policy in regards to the over and underpayment of contributions of the variances noted. At the next update to the Board, Member Services will include the corrections identified in this audit for pensionable attributes of relevant pay items. Going forward, Member Services will develop a process to perform a full reconciliation of the pay item file presented to the Board with the pay item configurations in the V3 system periodically, at least prior to the annual presentation to the Board to ensure accurate and complete reporting of pay items to the Board. Any discrepancies identified by the reconciliation will be addressed as needed.
IA Follow-Up:	Internal Audit reviewed updated procedure document and annual reconcilation file.

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

Completion Date:	03/14/2023 — MAP Status Unassigned

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 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

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: 2

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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 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.

OBSERVATION #2 - 2. THE FAS SUPPORTING DOCUMENTATION FOR THREE MEMBERS NEEDED TO BE UPDATED IN THE PENSION ADMINISTRATION SYSTEM (NO FAS IMPACT). CLOSED

Completion Date:	04/02/2021	MAP Status Unassigned
Action Plan:	Member Services has reviewed and updated the member files for the calculation documents for members identified by Internal Audit during their review. Member Services Management has also implemented a checklist within the new tool mentioned above.	
IA Follow-Up:	Internal Audit noted the checklist was included in the new FAS tool.	

Project: 48 - 2132 - Continuous Audit of Final Average Salary Calculations (Q2 2021)

PROCESS OWNER: MEMBER SERVICES

Report Date: 06/04/2021

Total Observations: 2

OBSERVATION #1 - 1. INTERNAL AUDIT NOTED A 6.7% ERROR RATE (FOUR ERRORS) OUT OF THE 60 FAS CALCULATIONS SAMPLED FROM THE 2ND QUARTER OF 2021. CLOSED

Completion Date:	05/20/2021	MAP Status Unassigned

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

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 Management team takes all errors very seriously. As discussed before, we reorganized our team and implemented a full Quality Assurance process to review all payroll transactions and perform recalculations on any member's account where we found an error. We are reviewing the root cause of all errors and we are providing ongoing training on the errors found each month. We are providing direct feedback to the specific team members who processed the original calculations where errors occurred. We are also reporting up to senior management weekly on the results of our efforts. As to the fourth error, we are working with ViTech, our V3 pension administration system vendor to develop a solution to this issue. We are also working with our team to review any accounts with similar employment history to ensure this error does not occur in the future until we can have the systematic issue fixed in V3. Upon our initial review of all member retirements that have been processed since the implementation of V3 (2016 forward), it is believed to impact approximately 11 members, but the investigation is ongoing. We will provide an update on the final number of members affected at the time of the June Audit Committee Meeting. Member Services is also providing training to the team on how to identify members with this potential issue to ensure additional members are not impacted in the future until the fix in V3 is made
IA Follow-Up:	Internal Audit reviewed the ViTech submission and confirmed with Member Services of the additional training.

OBSERVATION #2 - 2. THE FAS SUPPORTING DOCUMENTATION FOR TWO MEMBERS NEEDED TO BE UPDATED IN THE PENSION ADMINISTRATION SYSTEM (NO FAS IMPACT). CLOSED

Completion Date:	05/20/2021	MAP Status Unassigned
Action Plan:	Member Services Management team is providing feedback to our team and the 2 specific team members who did not upload the fully completed supporting documentation to the V3 system. We will continue to reiterate the importance of maintaining the fully completed documentation in the members' files in V3 and will have the supervisor team monitor compliance.	
IA Follow-Up:	Internal Audit confirmed the documents have been uploaded and the feedback to the team members have been provided.	

Project: 55 - 2135 - Quarterly FAS Review (Q4 2021)

PROCESS OWNER: MEMBER SERVICES

Report Date: 10/04/2021

Total Observations: 1

OBSERVATION #1 - 1. INTERNAL AUDIT NOTED AN 8% ERROR RATE (SIX ERRORS) WITH THE 75 FAS CALCULATIONS TESTED FROM THE 3RD QUARTER OF 2021. CLOSED

Completion Date:	10/01/2021	MAP Status Unassigned

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 has recalculated the 6 accounts and made corrective retroactive payments/adjustments to each of the members in accordance with OCERS Overpaid and Underpaid Plan Benefits Policy. The first 5 members were corrected with the 9/1/2021 payroll and the last account was corrected on the 10/1/2021 payroll. Member Services RPS management team formed a committee to assist in developing new controls. One specific solution that came from this committee was the need to have a consistent process for them to follow to sort through the pay data used in determining FAS pay items. Member Services management developed new controls within the FAS Calculation Tool that incorporate macros to help sort and organize the work history for pay items to ensure all team members are working in a consistent process and to make it easier to identify the pay items to include in the FAS. We implemented and trained the RPS team on the new process in September. Member Services management has also enacted version control on the FAS Calculation tool to ensure it is easy to identify if calculations are performed on an outdated file. Member Services management will continue to find new ways to eliminate errors in this process and implement them quickly with appropriate training and documentation on the processes for the team.
IA Follow-Up:	Member Services shared the updated version of the FAS excel tool.

Project: 56 - 2133 - Dependent Survivor Eligibility Audit

PROCESS OWNER: MEMBER SERVICES

Report Date: 10/04/2021

Total Observations: 4

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

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

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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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:	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.

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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 Employer Payroll (EP) Management Team will perform a one-time audit of the records between OCERS and all employers supported through the County (Not Just SSA). Once Complete, updates will be sent to OCERS IT to make the necessary changes. After IT makes the changes to the system, a member of the EP Team will verify that the changes were successfully implemented. Ongoing, accuracy validation of the data at the time a member retires is currently performed and is also part of our updated Quality Assurance Process initiated in 2021. As a result of our updated quality assurance program and the fact that we rarely receive new or changed Bargaining Units and Job Class, Management is recommending we continue to review the quality for these records at the time of retirement. We will perform another global reconciliation at the time we perform a migration from the current pension administration system to our new pension administration system in the coming years.
IA Follow-Up:	Internal Audit confirmed the reconciliation of job title and job codes between the County and OCERS PAS. The issue identified has been corrected.

Project: 59 - 2232 - Quarterly FAS Review (Q1 2022)

PROCESS OWNER: MEMBER SERVICES

Report Date: 03/30/2022

Total Observations: 1

OBSERVATION #1 - 1. INTERNAL AUDIT NOTED A 4.0% ERROR RATE (TWO ERRORS) WITH THE 50 FAS CALCULATIONS SAMPLED FROM THE 1ST QUARTER OF 2022 — CLOSED

Completion Date:	01/26/2023 — MAP Status Unassigned
Action Plan:	Member Services (M.S.) Management team investigated the first error reported by Internal Audit for this quarter, and we determined that the original data came to OCERS from CalPERS in an Excel spreadsheet that contained improper formatting for the salary records. M.S. management has engaged the leadership team at CalPERS for the department that prepares this information to inform them of the formatting error. We have also reviewed additional member accounts for which we had received salary information from CalPERS to determine if any other accounts had a similar issue. All of the other accounts we reviewed contained spreadsheets that contained merged fields similar to this account, but they were formatted properly and correctly reported final average salary. We are also training our staff to be aware of the possibility of formatting errors from any outside agency using Excel to report data to OCERS. Regarding the second account with an error, M.S. Management team is working with ViTech to determine the reason for the error and fix the PAS software to ensure it is following the configuration settings properly. We are also working to query the PAS software to see if there are any other accounts that may have been affected in a similar way to this account.
IA Follow-Up:	Internal Audit confirmed the training was performed and a JIRA ticket was created to identify the proration issue.

Project: 62 - 2233 - Quarterly FAS Review (Q2 2022)

PROCESS OWNER: MEMBER SERVICES

Report Date: 10/03/2022

Total Observations: 1

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Management Action Plan Status Report

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

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

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

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.

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 #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
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.

MAP Status Unassigned

Project: 68 - 2334 - Member Data Maintenance_Bank Account Changes

PROCESS OWNER: MEMBER SERVICES

Report Date: 06/01/2023

Total Observations: 5

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

Completion Date:	06/01/2023
Action Plan:	Details Removed - Discussed in Closed Session
IA Follow-Up:	Internal Audit confirmed management action plan has been implemented.

MAP Status Unassigned

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

Completion Date:	12/18/2023
Action Plan:	Details Removed - Discussed in Closed Session
IA Follow-Up:	Member Services provided examples of reviewed confirmation letters.

MAP Status Unassigned

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

Completion Date:	12/18/2023
Action Plan:	Details Removed - Discussed in Closed Session
IA Follow-Up:	Member Services provided IT ticket to PAS vendor for letter generation.

MAP Status Unassigned

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Management Action Plan Status Report

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

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

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

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

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

Project: 72 - 2301 - Alameda 2nd audit

PROCESS OWNER: MEMBER SERVICES

Report Date: 10/11/2023

Total Observations: 1

OBSERVATION #1 - INTERNAL AUDIT NOTED 13% OF THE ALAMEDA CONTRIBUTION REFUND RE-CALCULATIONS WERE INCORRECT DUE TO A RECENT CHANGE IN THE PENSION ATTRIBUTE FOR A SPECIFIC PAY ITEM. THIS DOES NOT IMPACT FAS. — CLOSED

Completion Date:	12/18/2023 — MAP Status Unassigned
Action Plan:	Member Services Management team reviewed the process for performing the recalculation of the Contribution Refunds as it pertains to the PHP pay item. As Internal Audit confirmed with the subsequent months' members affected by PHP, our process was corrected to include these amounts (reverse pickup rate) in our subsequent calculations. Member Services has also provided Internal Audit with the files containing the corrected contribution refund calculations for the five members noted. These revised contribution and interest amounts were used in total to offset the member's overpayment and thus did not get paid directly to the members as a refund. We have also worked with the county to create a new pay item for PHP pay item in the PAS as a result to ensure future benefits automatically include the pay in the retirement benefits.
IA Follow-Up:	Member Services adjusted the process to include the reverse pickup rate.

Project: 81 - 2336 - Payroll Transmittal Process

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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: MEMBER SERVICES

Report Date: 03/28/2024

Total Observations: 4

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

Completion Date:	09/03/2024	On Schedule
Action Plan:	The Employer Payroll Team will develop a written policy establishing purpose, scope, and roles regarding the employers' responsibility to address employer payroll transmittal exceptions in a timely manner. The Policy will incorporate the various reasons for exceptions, containing errors and False Positive errors, and how to differentiate between the two. The policy will also address the minimum acceptable levels of accuracy, based on the thorough review of what is a valid error. The development of the Policy will include an in-depth review of all aspects of the process, including current processes of reviewing and taking corrective actions, and recommending updates for the Transmittal Exceptions report (e.g., New info vs. reoccurring items). The Policy may generate a supplemental Procedure if necessary. While a policy is to be developed, employers were provided direction prior to V3 implementation, they have been provided guidance on a regular basis during the Annual Employer Workshop, as well as through regular channels of communication between the Employer Payroll Team and employers.	
IA Follow-Up:	Draft policy has been presented to the Governance Committee on August 15, 2024 for its review. IA considers this MAP closed. See item A-9 on the agenda.	

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

Completion Date:		On Schedule
Action Plan:	Review exceptions by importance/priority and determine if certain exceptions can be changed/deleted, especially looking at False Positives. Reach out to the PAS vendor to determine the cost to change in logic or turn off unnecessary exceptions (false positives) once exceptions are reviewed and further categorized (if needed). The Policy will recommend regular ongoing communication with employers, asking them to review and correct errors (that are not False Positives).	
IA Follow-Up:	IA was informed by Member Services that a ticket resolution has been filed with the PAS vendor, Vitech.	

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

Completion Date:	09/23/2024	On Schedule
Action Plan:	Along with development of Policy, procedural guidance will be developed for processing exceptions.	

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

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 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
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

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Management Action Plan (MAP) Aging Report

MAPs that are overdue based on Initial Due Date respective of DEC's Audit Committee Meeting.

Next Audit Committee Meeting: 12/12/2024 **Number of Observations:** 1

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Audit Report & Management Action Plan (MAP)		Aging of OPEN MAP's Past Initial Due Date as of the 12/12/2024's Audit Committee Meeting						
	Management Action Plan (MAP) Detail	**Initial Due Date**	*** Revised Due Date**	**Outstanding Days from Initial Due Date**	**31-60 Days**	**61-90 Days**	**91+ Days**	**Total**
84 - 2338 - OC TRANSPORTATION AUTH								
* 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.	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.	07/31/2024	12/31/2024	134			1	**1**
							Project Total:	**1**

Memorandum

DATE: December 12, 2024

TO: Members of the Audit Committee

FROM: Philip Lam, Director of Internal Audit

SUBJECT: **STATUS UPDATE OF 2024 AUDIT PLAN**

Written Report

Background/Discussion

Attached is a comparison of budgeted 2024 audit plan hours versus the completed program actual hours, by project.

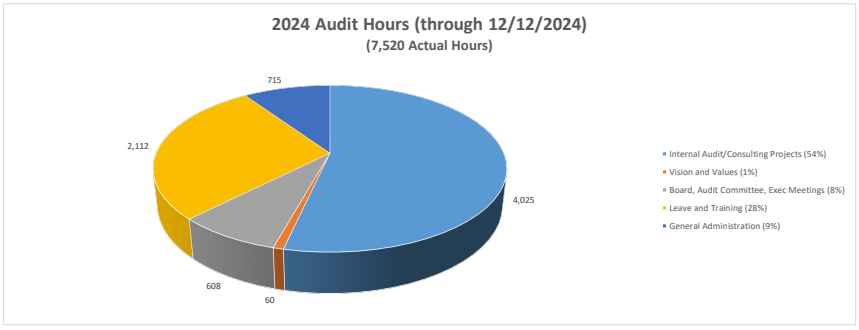
Submitted by:

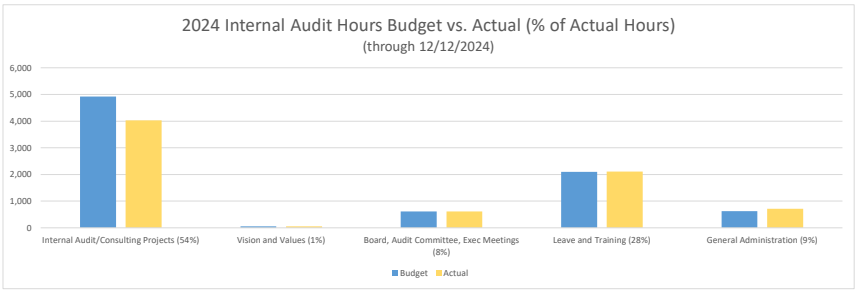
PL - Approved

_____

Philip Lam
Director of Internal Audit

2024 Internal Audit Plan





Orange County Employees Retirement System
2024 Internal Audit Plan

Audit Activity	Description	Planned Hours	Actual Hours	Projected Remaining Hours	Comments
Internal Audit/Consulting/Planning/QAIP		**4,926**	**4,025**	**557**	
Internal Audits - Assurance		**3,906**	**2,986**	**497**	
Governance - Asset Allocation/Rebalancing (carryover from 2023 audit plan)	Review of controls ensuring OCERS asset allocation/rebalancing activities are reviewed and fully reported to the Investment Committee as per Investment Policy Statement.	70	80	-	Complete
Transmittal Processing (carryover from 2023 audit plan)	Review the Employer Payroll team's controls over the processing of payroll transmittals in V3.	40	80	-	Complete
Employer Audit (OCTA) (carryover from 2023 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. Last time audited in 2013.	96	120	-	Complete
Accounts Payable (carryover from 2023 audit	Review of controls over the account payable process, from payment request through payment of invoice.	40	50	-	Complete
Employer (County of Orange-Public Law Library)	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	360	-	Complete
CIS Controls Assessment	Perform an independent assessment of Information Security's implementation of the Center of Internet Security (CIS) Top 18 Controls, and provide recommendations on management's assessment of the department's implementation status and maturity level as appropriate.	120	130	-	Complete
Investment Compensation Review	Perform independent review of annual investment compensation calculations	160	120	-	Complete
Continuous Audit - Final Average Salary (FAS) Calculation	Continuous audit of FAS calculations. Sample on quarterly basis for Q3	280	300	-	Complete
Employer (OCERS)	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	360	-	Complete
Employer (County of Orange - Healthcare Agency)	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	440	-	Complete
Employer (Orange County - Local Agency Formation Commission - LAFCO)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	350	380	25	Draft Observations issued, awaiting responses from employer Report to be presented at January 2024 AC meeting (1st time audit)

Orange County Employees Retirement System
2024 Internal Audit Plan

Audit Activity	Description	Planned Hours	Actual Hours	Projected Remaining Hours	Comments
Alameda 2 Implementation	Perform an independent review of the controls in place to ensure the recalculation of contribution refunds and retirement benefits related to the Alameda decision are complete and accurate for Alameda phase 2	370	75	295	Fieldwork in progress
Payroll for Retirees	Review the Finance Department's controls over the general ledger recording of monthly benefit payments	360	183	177	Fieldwork in progress
Employer (San Juan Capistrano)	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	48	-	Project postponed to 2025 audit plan - employer is undergoing a payroll system conversion
COLA Adjustments	Perform an independent review of the controls in place to ensure COLA adjustments are accurately calculated.	360	-	-	Project postponed to 2025 audit plan
Internal Audit - Management Action Plan Follow-up	Action Plan Follow-up - Perform MAP follow-ups with management.	260	260	-	Ongoing review of implemented MAPs from completed audits, redesign of MAP reports
Internal Audits - Consulting		**220**	**295**	**0**	
Consulting/Ad-hoc projects	Open for any ad-hoc project TBD	220	295	-	Includes time to assist with ACFR, RPA project for Member Affidavits, contract oversight review
Internal Audits - Planning		**500**	**440**	**60**	
Annual Audit Planning	Review and update Risk and Control Matrix.	200	200	-	2025 Audit Plan to be presented for approval in early 1st quarter 2025 AC meeting
	Annual preparation of the Audit Plan, updates to the current Audit Plan.	300	240	60	
Internal Audits - Quality Assurance and Improvement Program		**300**	**304**	**0**	
Quality Assurance and Improvement Program	IA Quality Review- self assessment - QAIP program and external peer review	240	265	-	Updates to the Internal Auditing Standards on the Audit Charter, Audit Manual and Audit Committee Charter
	Hotline reporting system.	60	39	-	Transitioned responsibilities to Compliance
Vision and Values		**60**	**60**	**0**	
	Vision and Values Committee (Internal OCERS Committee)	60	60	-	Hosted bring your child to work event
Board, AC, OCERS Executive Meetings		**608**	**608**	**0**	
	Board meetings, Audit Committee, Personnel Committee, Governance Committee, Executive meeting, Strategic Planning	510	510	-	-
	Weekly meetings with CEO	26	26	-	-
	Monthly meeting with Audit Committee Chair	72	72	-	-
General admin time		**623**	**715**	**20**	
	General admin time	623	715	20	9% of total hours
Leave (Holiday/Annual) and Training		**2,103**	**2,112**	**152**	
	Holidays (12 days), Annual Leave (15 days) Maternity Leave (180 days)	1,928	1,745	152	-
	Training and Continuing Education	175	367	-	-
	Grand Total Hours	**8,320**	**7,520**	**729**	