

**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.**

MINUTES

OPEN SESSION

Chair Packard called the meeting to order at 9:35 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

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

Also Present: Steve Delaney, Chief Executive Officer (via Zoom); David Kim, Assistant CEO of External Operations, Brenda Shott, Assistant CEO of Internal Operations; Manuel Serpa, General Counsel; Philip Lam, Director of Internal Audit, Cynthia Hockless, Director of Human Resources; Kwame Addo, Chief Compliance Officer; Mark Adviento, Senior Internal Auditor; Jenny Davey, Internal Auditor; Esther Hong, Internal Auditor; Anthony Beltran, Audio Visual Technician; Marielle Horst, Recording Secretary.

PUBLIC COMMENT

None.

CONSENT AGENDA

C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

October 9, 2024

C-2 INTERNAL AUDITOR'S INDEPENDENCE AND ETHICS STATEMENT

Recommendation: Receive and File.

MOTION by Mr. Prevatt, **seconded** by Ms. Lopez Tagalao, to approve the Consent Items.

The motion passed **unanimously**.

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ACTION ITEMS

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

None.

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.

Mr. Lam presented the report noting there was one observation:

In the test sample where six FAS calculation Excel files did not have formal evidence of a secondary QA (Quality Assurance) review performed by staff. After the discussion of the implementation of changes and timeline, the Committee Members were comfortable with the Management Action Plan.

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

The motion passed **unanimously.**

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.

Mr. Lam presented the report noting the following two observations:

The first observation was the Personnel Action Notice (PAN) form was not completed to document the employee's return to their original position after a temporary promotion ended. The Committee questioned if there are policies and procedures in place, and if there is someone actively checking the reports to prevent extra help and temporary employees from working extra hours. Ms. Hockless confirmed that they receive monthly reports from the County.

The second observation was that the OCERS Direct Employee Handbook lacks a section detailing the premium pay items available to OCERS Direct employees. Mr. Serpa noted that the OCERS Direct Handbook is currently being revised, and the changes will be incorporated in 2025. The Audit Committee directed staff to bring the OCERS Direct Employee Handbook as an Information Item to the Personnel and Audit Committees.

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

The motion passed **unanimously.**

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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.

Mr. Adviento presented the findings of the Audit Report to the Committee, noting the following five observations:

The first observation was the Retroactive pay reported for two employees was incorrect.

The second observation was the Internal Audit identified 125 HCA members with an incorrect status in the OCERS Pension Administration System (PAS).

Ms. Freidenrich asked if this reconciliation includes the entire headcount. Mr. Adviento noted, that yes, this was inclusive of the entire headcount and produced a 5% error rate. During each audit, it is standard practice to reconcile the agency's members with OCERS PAS.

The third observation was the 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.

The fourth observation was for 5 of the 10 Extra Help employees sampled, the total hours reported by approved timecards did not match the total hours reported on the HCA Extra Help Employees Hours Worked report.

Mr. Prevatt commented the fourth observation should have been categorized as a "Priority" rather than "Important". Mr. Adviento noted in the 2-year sample reports they did not find employees having exceeded 1600 hours which would make them an employee, therefore the risk level was labeled as "Important".

Ms. Lopez Tagalao questioned if OCERS asks the employer to hire or release the employee once they reach 1600 hours. Mr. Adviento confirmed we do not.

Mr. Packard questioned whether an extra help employee exceeds 1600 hours in the first year, does the employer have to pay OCERS for that first year? Is this a loophole where we are not receiving all the pensions we should be receiving? Mr. Delaney responded that there was an unintentional loophole. However, OCERS is working with the employers on a policy change, which will be brought to the Board.

Ms. Freidenrich questioned if there was any employee who violated the policies in this audit. Mr. Adviento confirmed there were no violations found.

The fifth observation was 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.

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Mr. Prevatt expressed concern that the Audit report was not forwarded to the proper Directors and the CEOs.

Ms. Freidenrich directed Mr. Lam to get in contact with the County's Director of Internal Audit, Aggie Alonso.

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

The motion passed **unanimously**.

INFORMATION ITEM

I-1 INTERNAL AUDIT TRANSITION

Presentation by Philip Lam, Director of Internal Audit

Mr. Lam presented his vision for the fourth quarter of 2024 through the first quarter of 2025. This includes finalizing the Final Average Salary, OCERS Employer, and HCA Audit Reports, closing out the LAFCO Audit and the Alameda Audit, assessing the internal audit team, performing and finalizing risk assessment, obtaining buy-in from stakeholders, and executing the 2025 Audit Plan.

Mr. Packard referenced the HCA audit and audits going forward. Mr. Packard encouraged an assessment of current internal operations communication and directed staff to improve communication with key decision-makers.

I-2 BIENNIAL REPORT ON THE OPERATION AND EFFECTIVENESS OF THE OCERS COMPLIANCE PROGRAM

Presentation by Kwame Addo, Chief Compliance Officer

Mr. Addo presented the Compliance Program Update and Roadmap for 2025-2026. Ms. Freidenrich questioned when the Audit Committee would be receiving reports.

Mr. Serpa explained his goal is to provide a Comprehensive Compliance Program. The priority is to complete the remaining two program documents. Currently, four out of six are finished. Mr. Serpa would like to implement the Compliance program as quickly as possible. They are building out the program, and had intended to get the fundamental system in place before submitting reports; however, Mr. Serpa and Mr. Addo agreed that reports can be provided in the interim.

The Audit Committee directed the Compliance Department to provide quarterly reports.

Mr. Packard expressed concern that staff is not educated in Compliance and would like there to be more training provided by the Department. Mr. Prevatt emphasized that staff needs to be evaluated after the training to ensure they retain the knowledge of the training. Mr. Addo informed the Committee there is a plan to have a provider conduct training.

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Mr. Prevatt directed the Compliance Department to provide an annual Work Plan at the first Audit Committee of the year. The work plan should provide a list of reports that will be presented within the year.

Mr. Prevatt inquired if the Compliance Department monitors the filings of Form 700. Mr. Serpa informed the committee of the Form 700 review process, which is conducted by the CIO and General Counsel, and then reported to the CEO. Mr. Prevatt directed the General Counsel to provide the Form 700 Report annually to the Audit Committee as an Information Item.

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

Ms. Lopez Tagaloa asked the members of the Audit Committee for their availability in the upcoming year and confirmed February 11th and March 25th for the first two meetings.

STAFF/COUNSEL/CHIEF EXECUTIVE OFFICER COMMENTS

None.

ADJOURNMENT

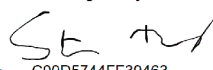
Chair Packard adjourned the meeting at 12:06 p.m.

Submitted by:

Signed by:

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Philip Lam
Committee Liaison

Submitted by:

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Steve Delaney
Secretary to the Board

Approved by:

Signed by:

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Adele Lopez Tagaloa
Chair