

LIVE VIRTUAL COMMITTEE MEETING

*The Committee meeting will be held following the Board of Retirement meeting scheduled prior.



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you would like to remain anonymous at the meeting without stating your name, please let us know.

Attention: Public comment requests must be submitted via email to PublicComment@lacera.com.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

AGENDA

MEETING OF THE OPERATIONS OVERSIGHT COMMITTEE and BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810
PASADENA, CA 91101

WEDNESDAY, DECEMBER 1, 2021 - 9:00 A.M.**

This meeting will be conducted by the Operations Oversight Committee by teleconference under California Government Code Section 54953(e).

Any person may view the meeting online at
<http://lacera.com/leadership/board-meetings>

*The Committee may take action on any item on the agenda,
and agenda items may be taken out of order.*

COMMITTEE MEMBERS:

Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of November 3, 2021

II. PUBLIC COMMENT

(Written Public Comment – You may submit written public comments by email to PublicComment@lacera.com. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

Verbal Public Comment – You may also request to address the Committee. A request to speak must be submitted via email to PublicComment@lacera.com. We will contact you with information and instructions as to how to access the meeting as a speaker. If you would like to remain anonymous at the meeting without stating your name, please let us know.)

III. REPORTS

- A. LACERA Operations Briefing
Luis A. Lugo, Deputy Chief Executive Officer
JJ Popowich, Assistant Executive Officer
Laura Guglielmo, Assistant Executive Officer
- B. Fiscal Year 2020-2021 Financial Review
Ted Granger, Interim Chief Financial Officer
- C. Annual QA Audit Report
Bernie Buenaflor, Chief, Quality Assurance and Metrics Division
- D. Privacy Incident: Personally Identifiable Information
Cassandra Smith, Director, Retiree Healthcare
(Memo Exempt from Public Disclosure
California Public Records Act, Cal. Gov't Code § 6254(c), (k)
Brown Act, Cal. Gov't Code § 54957.5(a))
- E. Privacy Incident: Personally Identifiable Information
JJ Popowich, Assistant Executive Officer
(Memo Exempt from Public Disclosure
California Public Records Act, Cal. Gov't Code § 6254(c), (k)
Brown Act, Cal. Gov't Code § 54957.5(a))

IV. ITEMS FOR STAFF REVIEW

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

***The Board of Retirement has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Retirement (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement. Members of the Board of Retirement who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.**

****Although the meeting is scheduled for 9:00 a.m., it can start anytime thereafter, depending on the length of the Board of Retirement meeting preceding it. Please be on call.**

Any documents subject to public disclosure that relate to an agenda item for an open session of the Committee, that are distributed to members of the Committee less than 72 hours prior to the meeting, will be available for public inspection at the time they are distributed to a majority of the Committee, at LACERA's offices at 300 North Lake Avenue, Suite 820, Pasadena, California during normal business hours from 9:00 a.m. to 5:00 p.m. Monday through Friday.

Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.

MINUTES OF THE MEETING OF THE
OPERATIONS OVERSIGHT COMMITTEE
and
BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

GATEWAY PLAZA - 300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

WEDNESDAY, NOVEMBER 3, 2021, 12:24 P.M. – 12:27 P.M.

This meeting was conducted by the Operations Oversight Committee by teleconference under the Governor's Executive Order No. N-29-20.

COMMITTEE MEMBERS

PRESENT: Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Les Robbins
Vivian H. Gray, Alternate

ABSENT: Ronald A. Okum

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Alan Bernstein
Wayne Moore

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer
Luis Lugo, Deputy Chief Executive Officer
JJ Popowich, Assistant Executive Officer
Laura Guglielmo, Assistant Executive Officer
Steven Rice, Chief Counsel

The meeting was called to order by Chair Kehoe at 12:24 p.m. Due to the absence of Mr. Okum, the Chair announced that Ms. Gray, as the alternate, would be a voting member of the Committee.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of October 6, 2021

Ms. Gray made a motion, Mr. Santos seconded, to approve the minutes of the regular meeting of October 6, 2021. The motion passed unanimously.

II. PUBLIC COMMENT

III. REPORTS

A. LACERA Operations Briefing

Luis Lugo, Deputy Chief Executive Officer

JJ Popowich, Assistant Executive Officers

Laura Guglielmo, Assistant Executive Officer

Ms. Guglielmo, Messrs. Lugo and Popowich presented the monthly briefing sharing insights on staff and divisional activities within LACERA's Operations and Administration components, including the status of the Strategic Plan Goals and Operations Improvement Initiatives, progress on the "100-Day Management Report," and an update on other projects.

- Public Records Request Update
- Report of Felony Forfeiture Cases Processed

IV. ITEMS FOR STAFF REVIEW

There was nothing to report

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

The meeting adjourned at 12:27 p.m.

***The Board of Retirement has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Retirement (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement. Members of the Board of Retirement who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.**

**FOR INFORMATION ONLY**

November 17, 2021

TO: Operations Oversight Committee
Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

FROM: Luis Lugo, Deputy Chief Executive Officer *LL*
JJ Popowich, Assistant Executive Officer *JJ*
Laura Guglielmo, Assistant Executive Officer *LG*

FOR: December 1, 2021 Operations Oversight Committee Meeting

SUBJECT: **LACERA OPERATIONS BRIEFING**

The purpose of this briefing is to share insights on staff and divisional activities within LACERA's Operations and Administration components. We'll provide updates on goals, including the status of our Strategic Plan Goals and Operations Improvement initiatives. Many of the items highlighted may recur in subsequent briefings or may result in a future comprehensive Operations Oversight Committee (OOC) presentation.

Foreign Payee Check Printing Error

LACERA contracts through a broker, Proforma, who subcontracts with CSGI for LACERA's printing needs for all member payroll checks, Automatic Deposit Receipts (ADR), and our annual 1099-R documents.

During the October Benefits printing and mailing, CSGI mistakenly mailed the foreign checks in a box to LACERA instead of mailing them directly to the payees. This impacted 35 members. Prior to LACERA receiving these checks, CSGI recognized their error and quickly reprinted the foreign checks and mailed them out to the payees. However, when they printed the second run of checks they printed them on regular blank paper – making the second run of checks unusable and un-cashable. CSGI failed to communicate this printing error or the reprinting of checks.

LACERA first discovered a potential problem when we received the box of checks printed in the first run. When LACERA Benefits staff received an unexpected box from CSGI and asked CSGI about it on November 4, 2021, CSGI instructed them to shred the checks

because they were printed and mailed to LACERA in error, and that the payees had been mailed a check from CSGI the prior week.

LACERA did not know the true extent of the problem until we started to receive reports from LACERA's foreign check recipients that they were not on check stock. The first call was received on Monday, November 8, 2021. LACERA staff quickly took action. LACERA Systems staff compiled a list of impacted payees and a team immediately discussed options for getting checks to these payees. The team decided to cancel and re-issue all foreign payee checks and make arrangements to Fed-Ex the checks to the foreign payees. Over the next several days, LACERA contacted each member and explained what had happened and that they would be getting a Fed-Ex check. As we write this update, we are resolving a few straggler cases.

Unrelated to the check issue, Proforma has notified us of their intent to close their business and terminate our agreement. We are assessing our last Request for Proposal and reviewing our Procurement Policy to determine the best course of action going forward. We anticipate our future printing needs may change if the upcoming proposal for a Prepaid Debit Card Project, which would eliminate the need to print monthly benefit checks, is approved. Please let me know if you have any questions about the incident.

Update on Our Focus on Strategic Plan Goals and Operations Improvement

The Workgroups focusing on the top four Strategic Plan goals continue to meet regularly to move our goals forward. Here is a summary of the status of their efforts:

- **Case Management Project Update:** The Case Management System Request for Proposal (RFP) was approved by the Board of Retirement (BOR) on October 6, 2021. The LACERA team published the RFP on lacera.com that same day. On October 29, 2021, LACERA held a virtual vendor conference to provide detailed information to all vendors that had submitted their official intent to respond to the RFP and had signed a Non-Disclosure Agreement. Fifty-five representatives from seventeen companies attended the conference where LACERA technical staff and subject matter experts reviewed the three processes that are included in Phase I of the project, as well as LACERA's Enterprise Pension Administration Architecture. The LACERA team is looking forward to receiving all vendor proposals by November 19, 2021. We hope to have the RFP process and vendor selection completed by December 17, 2021.
- **Retirement Estimate Redesign Project:** The new Retirement Application and Summary is on hold pending the full re-opening of the Member Service Center (MSC). The original plan for the redesigned application, which can best be described as an informative retirement prospectus designed to provide members all the information they need to make an informed decision about their retirement, was to test the document and collect feedback from members that would be used

to refine the new document and process before implementation. The team is working on plans to begin testing the new application in the Member Service Center.

Phase II of this project will be to develop the on-line election process. We will set a deadline for the completion of Phase II as we near the end of Phase I.

- **PEPRA Implementation:** This workgroup continues reviewing all the progress made to date on the implementation of the Public Employees' Pension Reform Act of 2013 and subsequent updates passed since then. The Workgroup's focus is to address County payroll code issues with the Auditor-Controller (AC). As you may recall, for LACERA to readily assess what portion of an employee's total compensation is pensionable or not, the payroll code 099 must be further dissected so it is easier to identify the pay codes that are embedded in this code.

There are no new updates to this project as the County is in their year-end "quiet period." On October 15, 2021, LACERA and the AC team met to discuss our request for the County to break apart the 099 pay code so that each pay pensionable earnable pay code is reported to LACERA separately. LACERA was able to provide the AC with a clear explanation of what our challenges are and why we needed the pay codes reported individually. The AC did acknowledge that breaking up this pay code would not be feasible as it is an embedded part of the payroll system architecture. However, we have a commitment from the AC to make some changes to the files that they provide us that may give us some greater insight into changes made to a member's payroll during a pay period. Additionally, the team has agreed to share examples with the AC and work jointly as a team to find solutions. The key takeaway from the meeting is that we continue to work well together and both sides understand that we must be able to calculate the member's pensionable earnings to the penny. The County is currently entering the end of year processing and will not be able to focus on this issue in terms of programming adjustments until mid-January.

There are no new updates on the Workgroup focusing on the redesign of the Annual Benefit Statement (ABS). Our current statement only supports legacy plan members and is not supported for PEPRA members. Considerable progress was already made on the redesign efforts by the Communications team. We are working to get a better timeline when we can bring an RFP to the Operations Oversight Committee.

Progress Update on the "100-Day Management Report to the Trustees of the Board of Retirement and Board of Investments":

This section will discuss some of the efforts in place to move forward on the recommendations in the 100-Day report. It may not address all progress but will focus on certain goals.

Communications: LACERA.com Statistics and User Analytics

In the three months since the new LACERA.com launched, we have seen a tremendous amount of traffic and positive user feedback as members have more quickly and efficiently found the help and information they need. Below are supporting statistics.

Jump in User Traffic

First Time Visitors	Traffic	Average Visitors	Traffic
October	34,765	October	1,299
September	29,259	September	1,146
% Increase	19%	% Increase	13%

The most visitors we received on any day in the last month was 2,015 on October 29. October 18 and 19 saw the second and third most views per day at 1,791 and 1,806 respectively. During these two days, an email was sent to all members communicating a lawsuit was filed by LACERA against the County.

In October, we had a total of 161,450 page views. The search function was used 6,036 times. New sign-ups for My LACERA grew by 21 percent from September (577 sign-ups) to October (722 sign-ups).

Top Five LACERA.com Page Views

LACERA Pages	Views
Homepage	26,281
Retirement Planning	1,658
Sign Up for My LACERA	1,575
Plan D Calculating Your Retirement Allowance	1,339
Contact Us	1,256

Update on Other Projects

Our goal is to continue to keep the Committee updated on other cross-functional teams that are working hard to provide improvements to LACERA’s operations and the services we provide to our members.

COLA Bank Retroactive Changes

On April of 2021 the Board of Retirement approved corrections to the COLA Accumulation Bank, which involved making retroactive corrections, recalculating benefit allowance amounts, and paying members retroactive benefits due to a discrepancy discovered in the COLA Accumulation bank. The first phase has been completed and members received their retroactive payments on July 15, 2021, via Direct Deposit.

The second phase of cases was completed, and members were notified of the retroactive payments in early September and payments were issued September 15th. The third phase of the project has been completed: 312 survivors of members who passed away prior to the COLA Accumulation Bank correction were paid a retroactive benefit owed to the deceased member. The retroactive payment was paid to the survivor via special one-time payment and was paid on November 15, 2021.

To date, LACERA has paid out just over \$3.7 million in retroactive COLA earnings. Of the 9,672 member and survivor accounts affected, 8,178 accounts have been systematically resolved, which represent all members and survivors currently in a pay status, and 1,494 cases remain to be processed manually. We will update the total as we complete more cases.

COLA Retro Project - Status as of 11/17/2021:		Last Report 9/10/2021		Current Report 11/17/2021	
Row Labels (Type, Status, Detail, Outstanding)		Count	%	Count	%
Completed		7,864	81%	8,178	85%
(Member Paid - No Further Action Required)					
First Notification Sent		822	9%	508	5%
(Still Processing - Not Paid)					
	Active Payee - Member	439	5%	439	5%
	Paying Split	206		206	
	Active Payee - Survivor	383	4%	69	1%
	Paying Split	9		9	
Pending Notification		986	10%	986	10%
(Staff is Reviewing and Processing)					
	No Active Payees (Deceased)	726	7%	726	7%
	Active Payee - Member	145	2%	145	2%
	Paying Split	3		3	
	Active Payee - Survivor	115	1%	115	1%
	Paying Split	6		6	
Grand Total		9,672	100%	9,672	100%

As we discussed previously, we will be shifting focus from the COLA project to the Alameda Project. We will focus on the remaining cases in the COLA project once we have addressed the Alameda Project. By way of a reminder, this decision was made to limit the amount of overpayments and associated interest that may have to be collected from some Alameda impacted members.

- **Alameda Project Update:** In 2020, the California Supreme Court issued its decision in the Alameda County Deputy Sherriff's Association v. Alameda County Employees Retirement Association ("Alameda") challenging the constitutionality of changes passed in 2013 Assembly Bill 197, which amended the definition of compensation earnable, specifically excluding pay items previously included such as unused vacation, termination pay, in-kind payments, and payments for services rendered outside of normal working hours. The Court upheld constitutionality of the Legislature's actions.

In February of 2021, the Legal Office notified the Board of Retirement that it had completed an initial review of LACERA legacy pay codes and determined that Standby Pay did not meet the expanded understanding of compensation earnable because of the Alameda Case. It was also determined that LACERA would have to modify any member records where members had paid contributions on these earnings on or after January 1, 2013, resulting in refunds of contributions to members. Additionally, changes would be made to any members who retired on or after January 1, 2013, if their FAC included earnings for these pay codes. These members would have their benefits adjusted prospectively from the August 30, 2020, Supreme Court decision.

Staff

Systems and Quality Assurance staff members continue to refine and test program updates to our system that are necessary to compute the effect on the contributions and Final Average Compensation. We will update the Committee once we are ready to start processing changes.

- **CORE Benefits Training Class Preparation:** This 10-month series of courses is the key first step to training staff to fill the large number of vacant positions we have in Benefits and Member Services. Due to the pandemic, we were unable to hire a class in 2020, which has placed us in a significant staffing deficit. As shared previously, the plan was to hire a class of 24-30, which would have made this the largest class we have ever attempted to train. The team has identified the candidates that we would like to bring on board and they are in the process of making offers to the candidates. We had reported that we expected to bring these new hires on in two waves with the first class beginning December 1, 2021 and then a second class on January 3, 2022. Given some logistical issues and some slowdowns in the background check process, we will be delaying the start of the new class to January 3, 2022 and the second class in February 1, 2022.
- **Information Systems:** Our Systems division continues to engage in various process improvement projects and initiatives aimed at securing our network, data, application, and overall system infrastructure. Three current initiatives led by Systems include:

- **Microsoft Dynamics Great Plains (GP) Hosting Project** – Approved in the Fiscal Year 2020-21 budget adjustments by the BOR, the Systems Division began working with Argus Systems and Data Resolution to migrate LACERA's legacy Microsoft Dynamics GP application to a hosted solution. This migration will ensure the stability of LACERA's mission critical application until LACERA completes the transition to a more modern solution in three years. Also, the migration will provide LACERA an improved disaster recovery solution that decreases both downtime and data loss.

As of November 17, 2021, LACERA's legacy Microsoft Dynamics GP application has been migrated to a privately hosted solution and has successfully passed a detailed acceptance test. We plan to cut over to the hosted solution during the weekend of November 18, 2021, and to complete the project ahead of schedule by the end of November 2021.

- **Information Technology (IT) Service Management Improvement Project** – Approved in the Fiscal Year 2020-21 budget adjustments by the BOR, the Systems Division selected ServiceNow, a cloud-based IT service management tool, to improve how the division manages IT incidents, problems, requests, and knowledge. Phase I of the ServiceNow implementation will provide automation and tracking for all requests coming into the Systems Helpdesk. Future phases of the project will introduce hardware asset management as well as sophisticated automation for routine IT requests.

As of November 17, 2021, the initial configuration of ServiceNow has been completed, LACERA's production instance of ServiceNow is up and running, a soft rollout to all Systems staff members has been completed, the PMO has transitioned the ownership of the ServiceNow application to the Systems Infrastructure Team, and the Systems Infrastructure Team has completed the automation of approval workflows. The infrastructure team, under the direction of Summy Voong, will provide operational support for ServiceNow going forward. The next steps include a soft rollout to selected LACERA staff members and finally, a soft rollout to all LACERA staff members. We expect Phase I of the project to be completed by the end of December 2021.

- **Enterprise WiFi Project** – Approved in the Fiscal Year 2020-21 budget adjustments by the BOR, the Systems Division is currently installing an enterprise WiFi network.

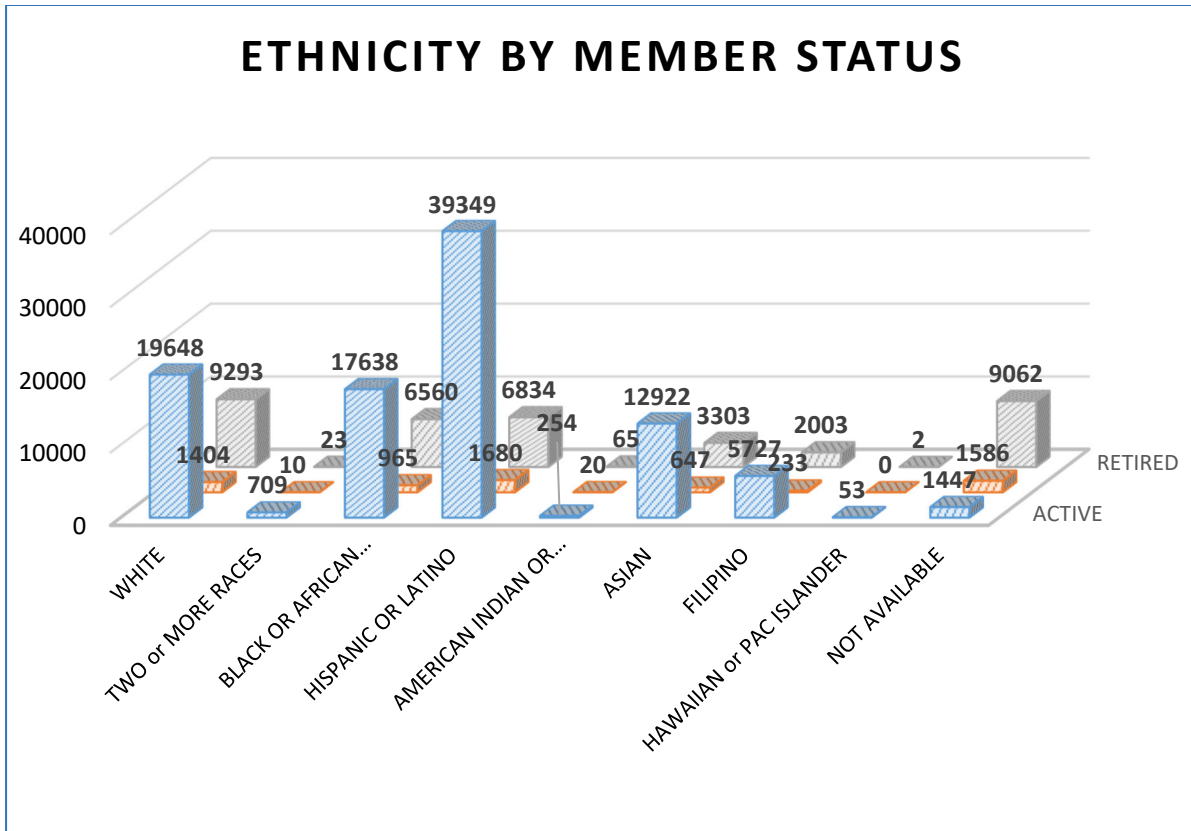
As of November 17, 2021, the fiber, cables, access points, and switches have been installed on all LACERA floors. We are still waiting on the delivery of switches for our data center. We expect to receive them in December, configure and test our segmented networks in early January, and to complete the project by the end of January 2022.

- **Administrative Services Division:** Our Administrative Services is a support division consisting of the Budget Unit; the Document Processing Center; the Procurement Unit, including Purchasing, Facilities, and Renovations; and the Risk Management Unit, which includes Business Continuity, Business Insurance, Contract Management, Health and Safety, and Records Management. Over the last month the division has led and supported the following initiatives:
 - The Budget Unit has presented the Mid-Year Budget Amendment recommendation to the Joint Organizational Governance Committee meeting on November 4, 2021 and is bringing the recommendation to both Boards in December.
 - The Budget Unit has started the new budget software project with the consultant. The procurement phase of the project is expected to last approximately 22 weeks, and the software implementation phase will begin in the late spring of 2022.
 - The Facilities Unit and the Office of the Building have completed the modifications to the 2nd-floor space. The Document Processing staff have relocated to the suite allowing them to continue their work with required social distancing protocols. The additional space on the 2nd-floor will also temporarily accommodate FASD and Systems staff during the upcoming 7th-floor renovation project.
 - The Risk Management Unit and Business Continuity Team are preparing for a cross-functional tabletop exercise scheduled to take place on December 2, 2021. The team will provide a briefing of the exercise and results to the OOC
 - The Health and Safety Unit continues to conduct weekly COVID-19 health and safety inspections to identify potential hazards related to COVID-19 and ensure adherence to all state and federal health and safety laws and requirements. This last quarter, there have been no COVID-19 safety hazards identified during the inspections. They will soon provide COVID-19 safety protocol training to all Floor Wardens in preparation for staff returning to the building.
- **Financial and Accounting Services Division** applies sound controls, accounting standards, and compliance with regulatory and statutory financial reporting mandates to LACERA's assets, member payroll, and organization-wide financial transactions.

- *Financial Statement Preparation:* The Government Code requires that LACERA prepare annual financial statements (AFS), obtain an external audit opinion of such, and transmit these statements to the plan sponsor (i.e., Los Angeles County). The fiscal year ended June 30, 2021 financial statements have been completed. Staff has issued the AFS to the County by the required deadline and are reviewing proofs of the Annual Comprehensive Financial Report (ACFR) prepared by the Communications Division.
- *Financial Statement Audit:* On October 13, 2021 LACERA's External Auditor, Plante Moran, completed the annual audit of LACERA's financial statements and issued an "unmodified" or clean audit opinion. The audit identified no significant issues, but Plante Moran did provide a comment letter to management for consideration. Both reports will be provided to the Audit Committee at the December meeting.
- *Actuarial Valuation Reports:* The Government Code requires that valuations of the Pension Plan be performed at least once every three years. The Board of Investment's 2013 Retirement Benefit Funding Policy requires more frequent valuations which are set to be completed annually. These reports are prepared to determine employer and employee contribution rates and to measure the funded status of the Pension Plan. In addition, the valuation report provides information that is used to prepare the Governmental Accounting Standards Board (GASB) Statement Number 67 financial statement reports. Plan sponsors use the GASB reports to obtain information required for their financial statement disclosures. The annual Pension Valuation report is conducted by Milliman, LACERA's Pension Plan consulting actuary. The final valuation report is scheduled for presentation at the December Board of Investments meeting.
- *OPEB Trust Fund Expense Reconciliation:* On an annual basis before each fiscal year, LACERA provides the OPEB Trust employers (i.e., Los Angeles County, Superior Court, and LACERA) an estimate of the next fiscal year's administrative and non-administrative expenses. Upon completion of the audited financial statements, staff reconcile between the estimate and actual expenses to report back to the OPEB Trust employers the expenses incurred to manage the employers' proportionate share of the fund. For the fiscal year ended June 30, 2021, the County exceeded the \$1.3 million budget by about \$119 thousand, which was attributable to additional audits required by the OPEB Agent Plan transition and higher costs for fiduciary insurance premiums and custodial fees charged by external service providers. Staff have prepared and will send the reports to the employers.

- *Custodian Search*: In accordance with LACERA's Procurement Policy, vendor contracts for investment and custodian services, and commercial banking services must be re-bid every ten years. LACERA's current custodian, State Street Bank, was hired in July 2013 so it is time to examine this key vendor relationship. Key staff have met to discuss and refine the minimum qualifications for presentation to the Board of Investments in December

Annual Ethnicity Report: As previously requested by Trustee Moore, we are adding an annual member ethnicity report to the Operations Briefing. The chart below represents data collected by the County on member ethnicity. As with most data collection on ethnicity, the act of identification by County employees is a voluntary process. LACERA will continue to provide this data each December.



- Attachments:
- Public Records Request Update
 - Report of Felony Forfeiture Cases Processed

DATE RECEIVED	REQUESTER	DOCS REQUESTED
12-21-20	D. Wells, Law offices of Gregory W. Smith	<p>Requested 14 categories of records, including operations of LACERA and hiring of employees and vendors.</p> <p>Request 11 - All video recordings and audio recordings of the April 9th, 2020 Board of Retirement meeting; the June 3rd, 2020 Board of Retirement meeting; and the June 25th, 2020 Audit Committee meeting.</p> <p><i>On December 21st, 2020, sent the <u>links to video and audio of the June 3rd, 2020 Board of Retirement meeting, and the June 25th, 2020 Audit Committee meeting.</u></i></p> <p><i>On December 28th, 31st, 2020, and on January 11th, 2021, sent a <u>DVD of the April 9, 2020 Board of Retirement meeting via FedEx Standard Overnight Delivery.</u></i></p> <p>Request 10 - Requested information regarding Udemy contract.</p> <p><i>On January 15th, 2021, sent one (1) set of responsive documents.</i></p> <p>Request 9 - Requested information regarding Eagle Leadership contract.</p> <p><i>On January 22nd, 2021, sent one (1) set of responsive documents.</i></p> <p>Request 8 - Requested information regarding KH Consulting contract.</p> <p><i>On February 1st, 2021, sent one (1) set of responsive documents.</i></p> <p>Request 7 - Requested information regarding TransQuest contract.</p> <p><i>On February 2nd, 2021, sent one (1) set of responsive documents.</i></p> <p>Request 1 - Requested Systems related communications by CEO Santos R. Kreimann.</p> <p><i>On February 8th, 2021, sent one (1) set of responsive documents.</i></p> <p>Request 3 - Requested documents regarding hiring of Celso Templo.</p> <p><i>On February 8th, 2021, sent 11 sets of responsive documents.</i></p> <p>Time extension to the production of documents.</p> <p>Requests 2, 4-6, and 12-14 remain outstanding.</p> <p><i>On February 16th, 2021, sent one (1) responsive letter regarding extension of time and summary of production status via email.</i></p> <p>Request 2 - Requested documents and communications between CEO Santos R. Kreimann and Celso Templo.</p> <p><i>On February 26th, 2021, sent six (6) sets of responsive documents.</i></p> <p>Request 14 - Requested documents and communications sent or received by Carly Ntoya regarding James Brekk.</p> <p><i>On March 1st, 2021, sent one (1) set of responsive documents.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p>Request 3 - Requested documents regarding hiring of Celso Templo.</p> <p><i>On March 1st, 2021, sent one (1) additional set of responsive documents.</i></p> <p>Request 13 - Requested documents and communications sent or received by Celso Templo regarding James Brekk.</p> <p><i>On March 2nd, 2021, sent two (2) additional sets of responsive documents.</i></p> <p>Time extension to the production of documents.</p> <p>Requests 4-6, and 12 remain outstanding.</p> <p><i>On March 2nd, 2021, sent one (1) responsive letter regarding extension of time and summary of production status via email.</i></p> <p>Time extension to the production of documents.</p> <p>Requests 4-6, and 12 remain outstanding.</p> <p><i>On March 15th, 2021, sent one (1) responsive letter regarding extension of time and summary of production status via email.</i></p> <p>Request 4 - Requested Systems related communications by or to Celso Templo.</p> <p><i>On March 19th, 2021, sent one (1) set of responsive documents.</i></p> <p>Time extension to the production of documents.</p> <p>Requests 5, 6, and 12 remain outstanding.</p> <p><i>On March 31st, 2021, sent one (1) responsive letter regarding extension of time and summary of production status via email.</i></p> <p><i>On June 4th, 2021, sent one (1) responsive letter regarding extension of time and summary of production status via email.</i></p> <p><i>On June 30th, 2021, sent one (1) responsive letter regarding extension of time and summary of production status via email.</i></p> <p>Request 6 – Requested all documents and communications by Celso Templo regarding information technology vendor solicitation process.</p> <p><i>On July 7th, 2021, sent 1,400 responsive documents.</i></p> <p>Request 2 - Requested documents and communications between CEO Santos R. Kreimann and Celso Templo.</p> <p><i>On October 7th, 2021, sent additional responsive documents to September 27th, 2021, letter via email.</i></p> <p>Request 7 - Requested documents and communications related to Transquest.</p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p><i>On October 27th, 2021, sent one (1) letter and eight (8) responsive sets of documents via email.</i></p> <p><i>On November 3rd, 2021, sent one (1) additional letter and one (1) supplemental responsive document via email.</i></p>
09-23-21	S. Leavins	<p>Requested information re policy as to a member's disability retirement, investigations, return to work, and determinations.</p> <p><i>On September 28th, 2021, sent one (1) responsive email.</i></p> <p><i>On October 12th, 2021, sent one (1) responsive email to requester's follow-up questions.</i></p> <p><i>On November 5th, 2021, sent one (1) additional responsive email with two (2) documents.</i></p>
09-29-21	T. Boston, Orange County Fire Authority HR	<p>Requested information re Plan B Fire employees for compensation study.</p> <p><i>On October 4th, 2021, sent one (1) email with responsive link to LACERA.com subsite.</i></p> <p><i>On October 19th, 2021, sent one (1) additional responsive email.</i></p>
10-06-21	S. Cruz, Transparent California	<p>Requested CA Compensation Report for 2020.</p> <p><i>On October 6th, 2021, received in Legal and sent one (1) responsive email with links to the LACERA webpage.</i></p> <p><i>On October 15th, 2021, sent one (1) additional email with responsive documents.</i></p>
10-11-21	J. Adams	<p>Requested BOI Real Assets Committee meeting recording for September 8th, 2021.</p> <p><i>On October 21st, 2021, sent one (1) responsive link via email.</i></p>
10-13-21	S. Leavins	<p>Requested a list of all revoked Disability Retirements.</p> <p><i>On October 20th, 2021, sent one (1) responsive email.</i></p> <p><i>On October 22nd, 2021, sent one (1) responsive link via email.</i></p> <p><i>On October 29th, 2021, sent one (1) responsive email.</i></p> <p><i>On November 5th, 2021, sent two (2) additional responsive documents via email.</i></p>
10-14-21	V. Sayas, Fundmap	<p>Requested BOI meeting recording for October 6th, 2021.</p> <p><i>On October 20th, 2021, sent one (1) responsive link via email.</i></p>
10-17-21	V. Sayas, Fundmap	<p>Requested BOI meeting recording for October 13th, 2021.</p> <p><i>On October 20th, 2021, sent one (1) responsive link via email.</i></p>
10-26-21	FOIA Data Collection Team	<p>Requested information for all private fund investments.</p> <p><i>On October 26th, 2021, sent one (1) responsive document via email and seven (7) additional responsive documents via a separate email.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
10-29-21	FOIA Data	Request re Alternative Portfolio information. <i>On November 10th, 2021, sent one response email.</i>
11-02-21	J. Park. Sacramento Bee	Requested information regarding Chief Investment Officer employment related information. <i>On November 10th, 2021 sent two (2) email responses.</i>
11-03-21	LA County Fire, and LA County HR	Standing request for monthly Ratification of Service Retirement and Survivor Benefit Application Approvals. <i>On October 8th, 2021, sent one (1) responsive link via email.</i>
11-03-21	LA County HR	Standing request for monthly disability retirement list for the BOR. <i>On November 8th, 2021, sent one (1) responsive document via email.</i>
11-03-21	LA County Sheriffs	Standing request for monthly BOR approved Fire and Sheriffs' Department retiree listing. <i>On November 8th, 2021, sent one (1) responsive document via email.</i>
11-04-21	V. Sayas, Fundmap	Requested BOI meeting recording for November 3 rd , 2021. <i>On November 10th, 2021, sent two (2) email responses.</i>
11-08-21	Sayas, V., Fundmap	Requests investment/board meeting packs.
11-09-21	Willmer, S., Bloomberg News	Requests total fund expenses LACERA paid to Private equity managers annually 2017-2021.

REPORT OF FELONY FORFEITURE CASES PROCESSED

November 19, 2021

#	MEMBER'S LAST NAME	MEMBER'S FIRST NAME	DEPT.	CONVICTION DATE	LACERA NOTIFIED	INITIAL IMPACT NOTICE SENT	FINAL IMPACT NOTICE SENT	FINAL STATUS	DISABILITY STATUS	SERV. LEVEL
59	GONZALEZ	PAUL	PARKS	10/19/2021	11/4/2021			PEND		
58	BOUNDY	TIMOTHY	PROBATION	7/27/2021	8/24/2021	10/21/2021	10/21/2021	Withdrawn		58
57	ANTRIM	MARC	LASD	4/1/2021	5/12/2021			PEND		
56	BERK	MICHAEL	LASD	2/24/2021	4/14/2021			PEND		
55	FISK	JUSTIN	LASD	2/24/2021	4/14/2021			PEND		



November 16, 2021

TO: Each Trustee
Operations Oversight Committee

FROM: Ted Granger 
Interim Chief Financial Officer

FOR: December 1, 2021 Operations Oversight Committee Meeting

SUBJECT: FISCAL YEAR 2020-2021 FINANCIAL REVIEW

Attached for your information are LACERA's annual financial statement highlights for the fiscal year ended June 30, 2021. Some of the key financial results include the following:

- Pension plan Fiduciary Net Position Restricted for Benefits (Net Position or fund balance) ended above the prior fiscal year, increasing from \$58.5 billion to \$73.0 billion.
- Increase in Net Position of \$14.5 billion (net income), was primarily due to higher investment activity income despite slight increases in offsetting expenses such as pension benefits paid to retired members and other administrative expenses.
- Total Pension plan investment return was 25.2% net of fees, compared to the actuarial expected return assumption of 7.0%.
- Pension plan actuarial funded ratio, as of June 30, 2020, decreased from 77.2% to 76.3%. The timing of the actuarial reports requires that prior year actuarial data, fiscal year ended (FYE) 2020, is used for current year financial statements, FYE 2021. The investment return results for the FYE 2020 was 1.8%, which was below the expected investment return assumption 7.0%, and contributed to the decline in the FYE 2020 actuarial funded ratio.
- OPEB trust Fiduciary Net Position Restricted for Benefits (Net Position or fund balance) increased, totaling \$2.3 billion compared to \$1.5 billion for the prior fiscal year.
- Total OPEB trust investment return was 28.4% net of fees, compared to the actuarial expected return assumption of 6.0%.

Should you have any questions regarding this update, please contact me via email at: tgranger@lacera.com.

REVIEWED AND APPROVED:



Santos H. Kreimann
Chief Executive Officer



LACERA

ANNUAL FINANCIAL REVIEW FOR THE FISCAL YEAR ENDED 2020-2021

Financial and Accounting Services Division (FASD):

Ted Granger, Interim Chief Financial Officer

Michael Huang, Accounting Officer II

Ervin Wu, Interim Accounting Officer II

OPERATIONS OVERSIGHT COMMITTEE

DECEMBER 1, 2021

AGENDA

- ACFR – Annual Comprehensive Financial Report
- PAFR – Popular Annual Financial Report
- Awards
- Financial Highlights and Reporting
- Pandemic Updates
- New Information:
 - GASB 87, *Leases*
 - GASB 96, *Subscription Based Information Technology Arrangements*
- Looking Ahead
- Q&A



ACFR AND PAFR PREPARATION

TEAMWORK

T – Transactions are recorded during the year

E – Each team member contributes to the preparation

A – Auditors review the financial statements and disclosures

M – Management prepares a discussion and analysis

W – Work with Communications to publish reports

O – Oversight provided by Executive and BOR/BOI

R – Recording transactions for the new fiscal year

K – Keep updated with latest GASB/GAAP/AICPA standards

ACFR EVOLUTION LAST DECADE

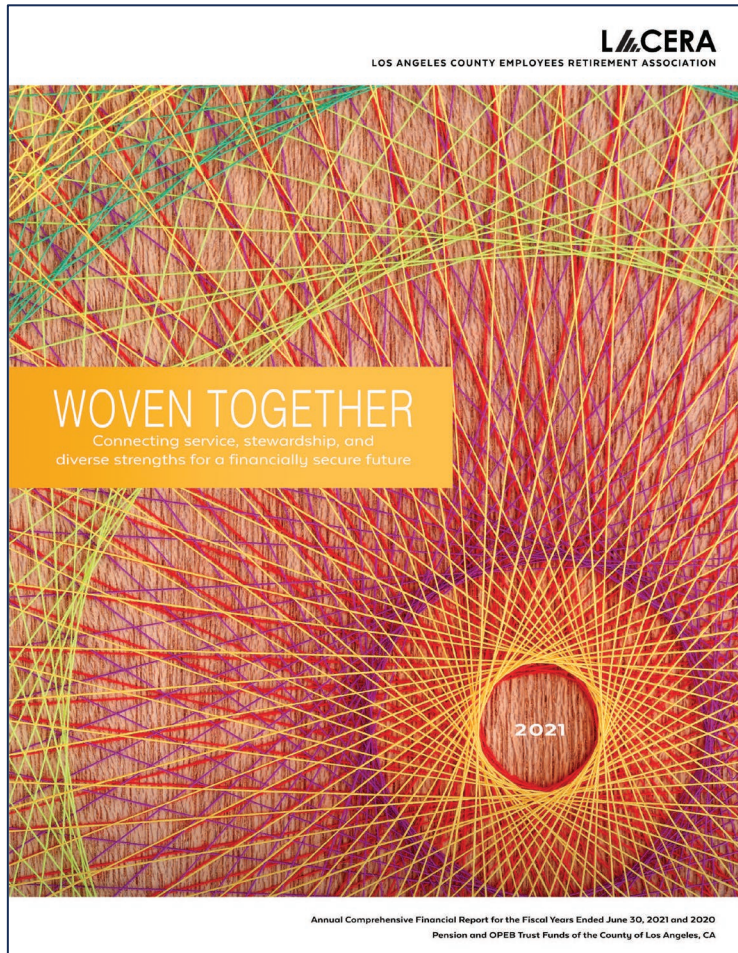
Contents

- OPEB Trust
- OPEB Custodial Fund
- GASB 67, 72, 74, 84 Implemented
- 100 to 200+ pages
- ACFR Name Change

Operations

- Team Expanded from Three to 15
- Created Reporting and Compliance Unit
- Implemented Wdesk ACFR Preparation Software
- Established Formal ACFR Preparation Cycle
- Partners:
 - Internal Audit
 - Investments
 - Legal
 - Executive
 - Communications

2021 ACFR AND PAFR THEME

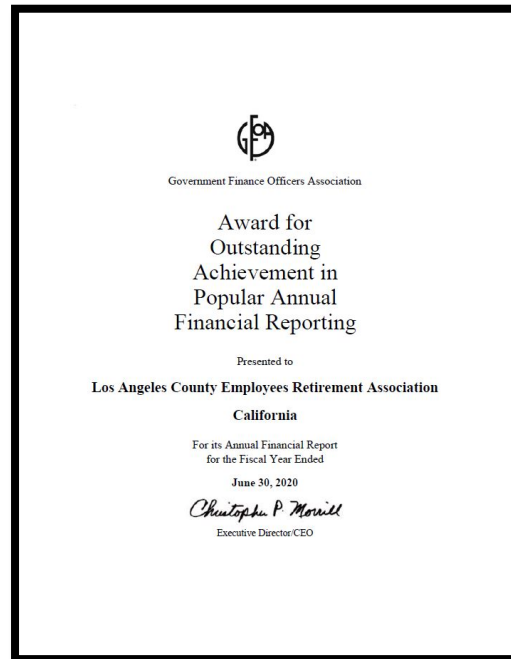


Woven Together
*Connecting service, stewardship,
and diverse strengths for a
financially secure future*

AWARDS

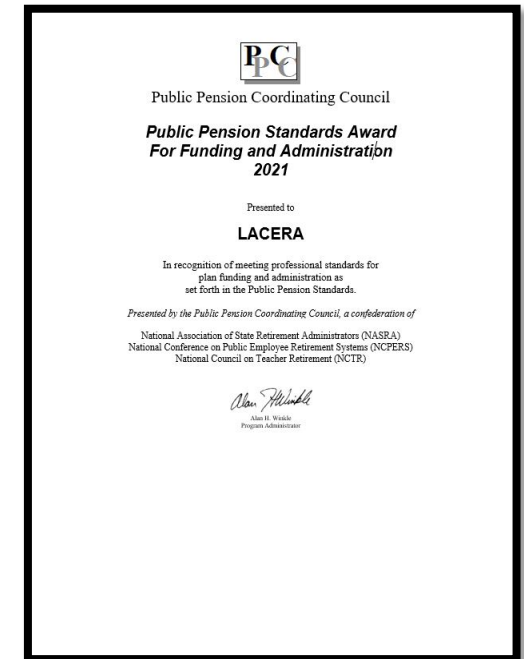
Government Finance Officers Association

- GFOA
 - ACFR = 31 years
 - PAFR = 23 years



Public Pension Coordinating Council

- PPCC
 - Public Pension Funding and Administration = 19 years



PANDEMIC UPDATES

-
- Safety protocols implemented
 - Canceled all non-essential business travel
 - Monitored investment portfolio
 - Received Plan sponsor contributions
 - Provided benefits without interruption
 - LACERA Operations:
 - Leadership
 - Remote work environment
 - Member and vendor payments

FINANCIAL HIGHLIGHTS

LET'S
REVIEW
THE
RESULTS

OVERVIEW PENSION PLAN

Net Position Restricted for Benefits = \$73 billion

- Fund Balance

Total Additions = \$18.4 billion

- Income

Total Deductions = \$3.9 billion

- Expenses

Total Fund Return = 25.2% (net of fees)

- Investment Earnings

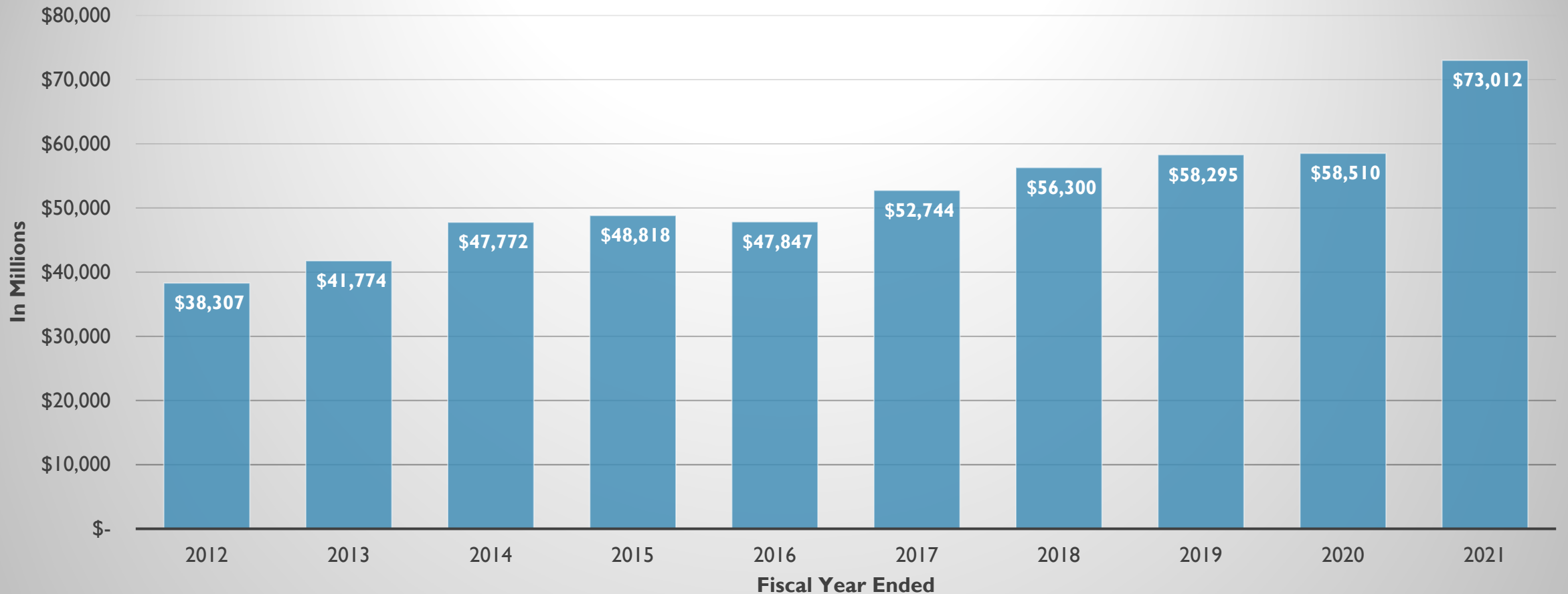
Funded Ratio = 76.3% (as of the June 30, 2020 Valuation)

- Ratio of Assets/Liabilities



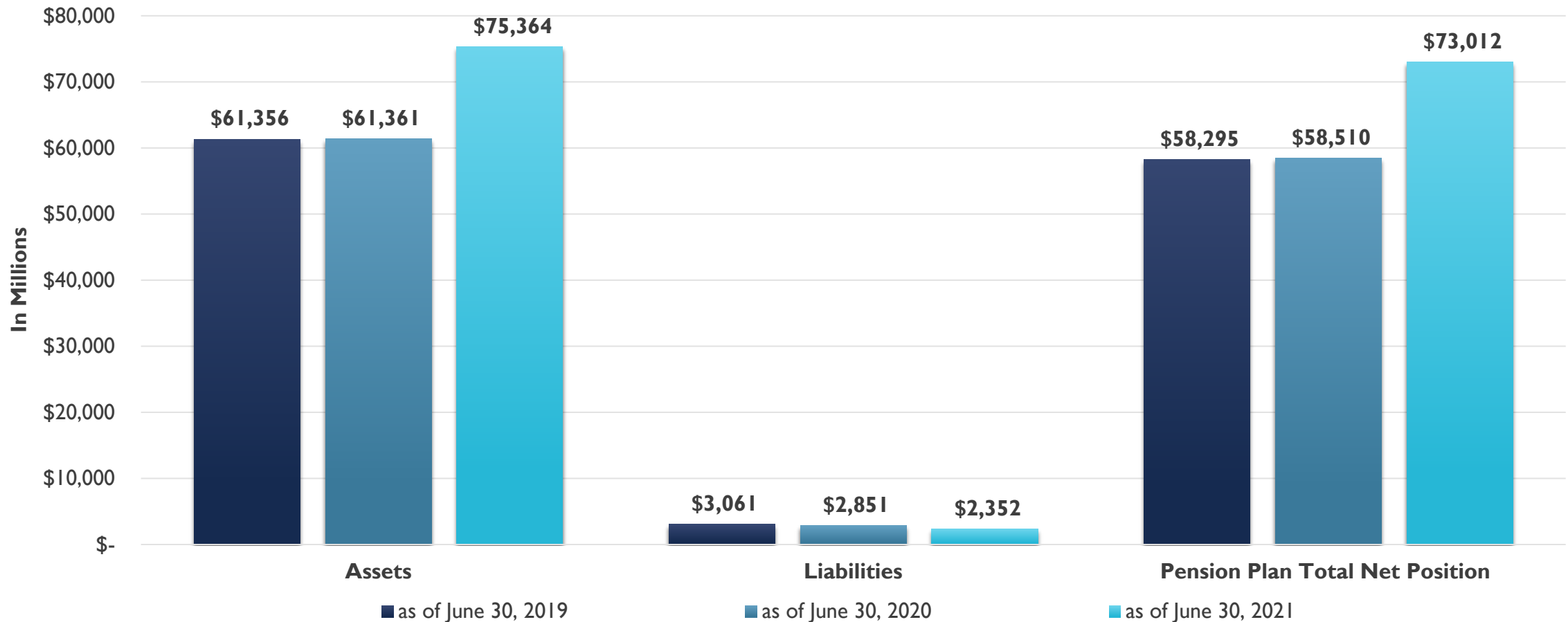
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS **PENSION PLAN**

FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS PENSION PLAN



FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS (CONT.)

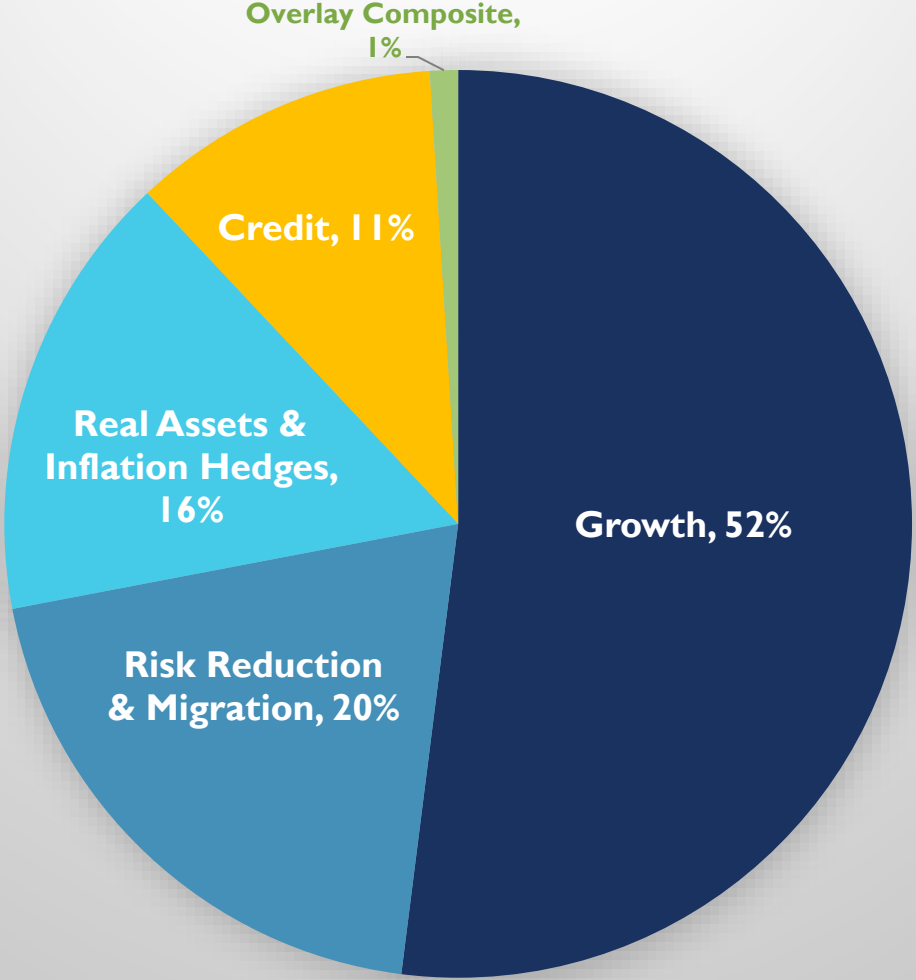
PENSION PLAN



PENSION PLAN

(Dollars in Millions)	2021	2020	2019
Contributions	\$2,774	\$2,459	\$2,304
Net Invest Income	15,633	1,448	3,181
Total Additions	\$18,407	\$3,907	\$5,485
Benefits & Refunds	(\$3,814)	(\$3,606)	(\$3,407)
Admin & Misc Expenses	(91)	(86)	(83)
Total Deductions	(\$3,905)	(\$3,692)	(\$3,490)
Net Increase/ (Decrease)	\$14,502	\$215	\$1,995
Beginning Net Position	58,510	58,295	56,300
Ending Net Position	\$73,012	\$58,510	\$58,295

Functional Asset Allocation As of June 30, 2021



ASSET ALLOCATION PENSION PLAN



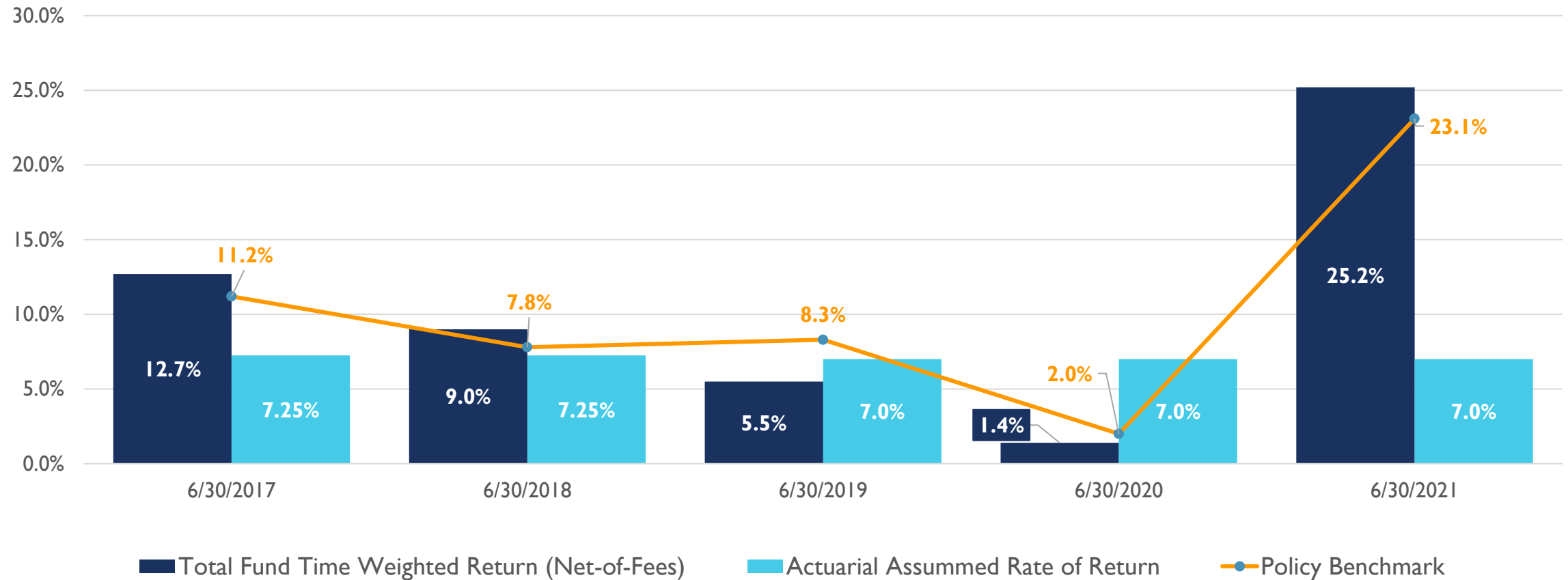
INVESTMENT RETURN

PENSION PLAN



INVESTMENT RETURN

PENSION PLAN

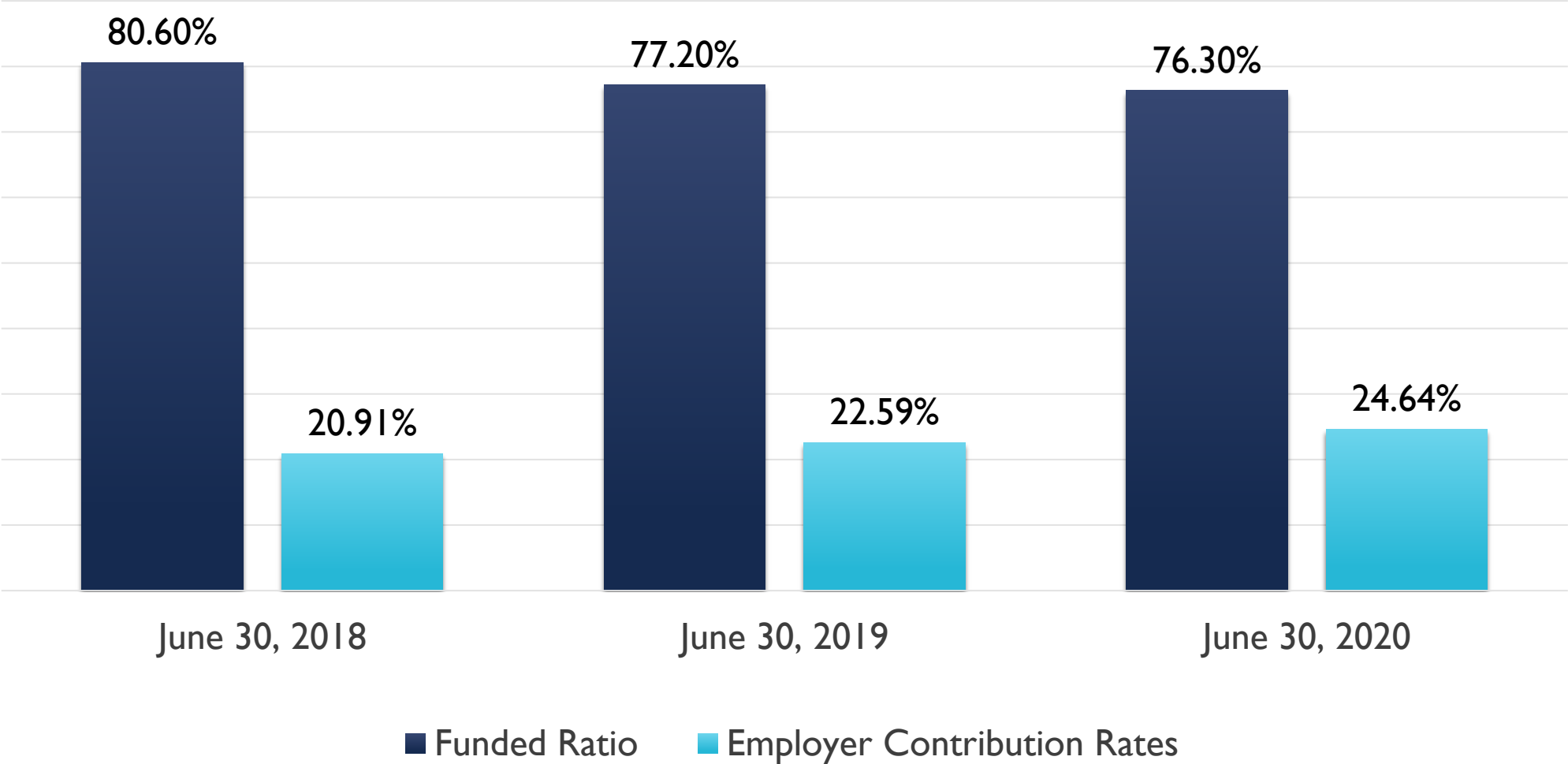


ACTUARIAL
VALUATION
PENSION PLAN

Contribution Rates
Employer and Employee

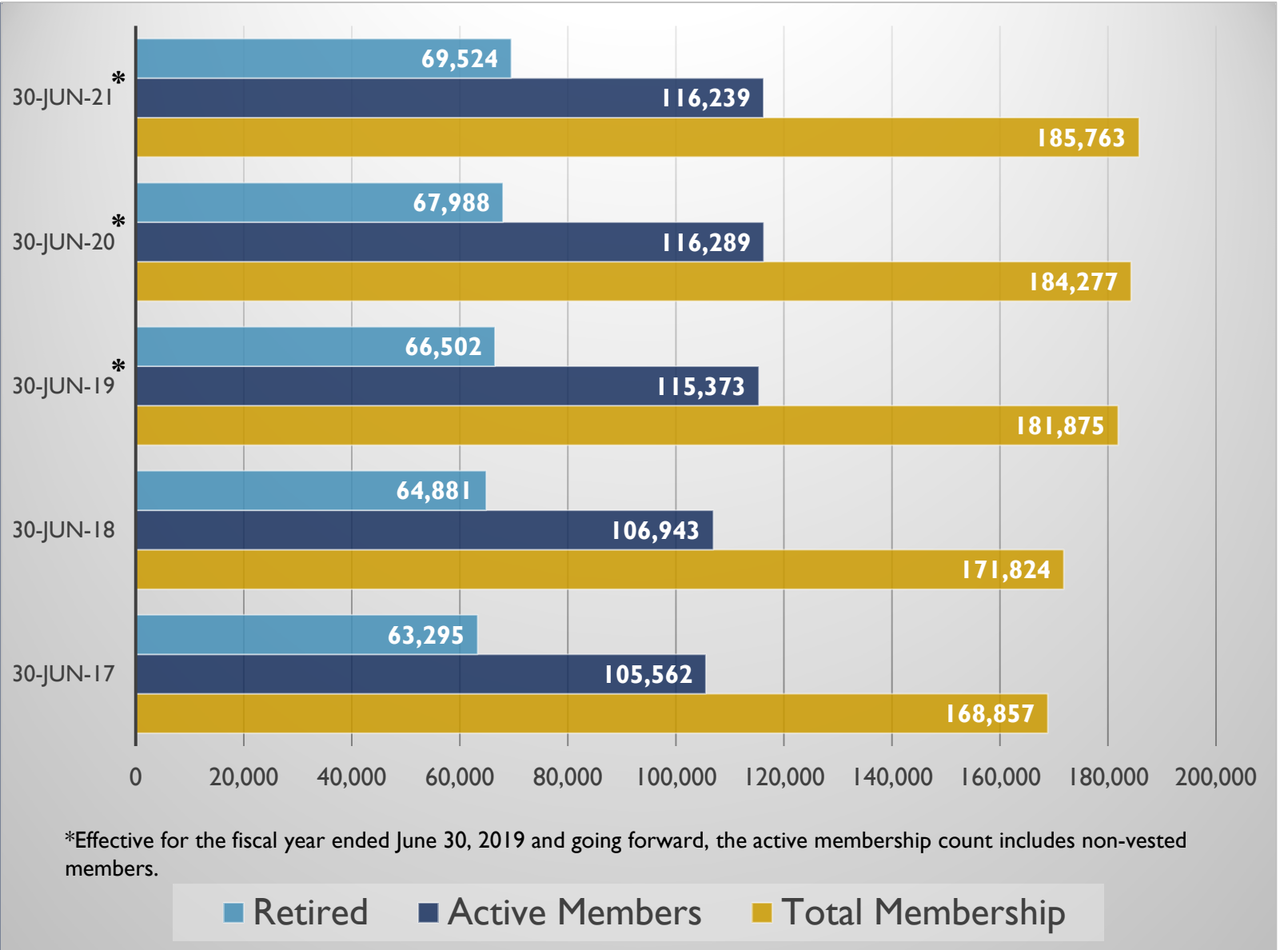
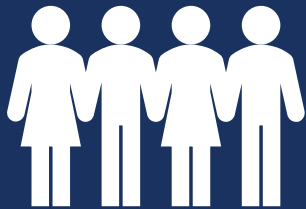
Liabilities and Funded
Ratio

ACTUARIAL VALUATION RESULTS



MEMBERSHIP

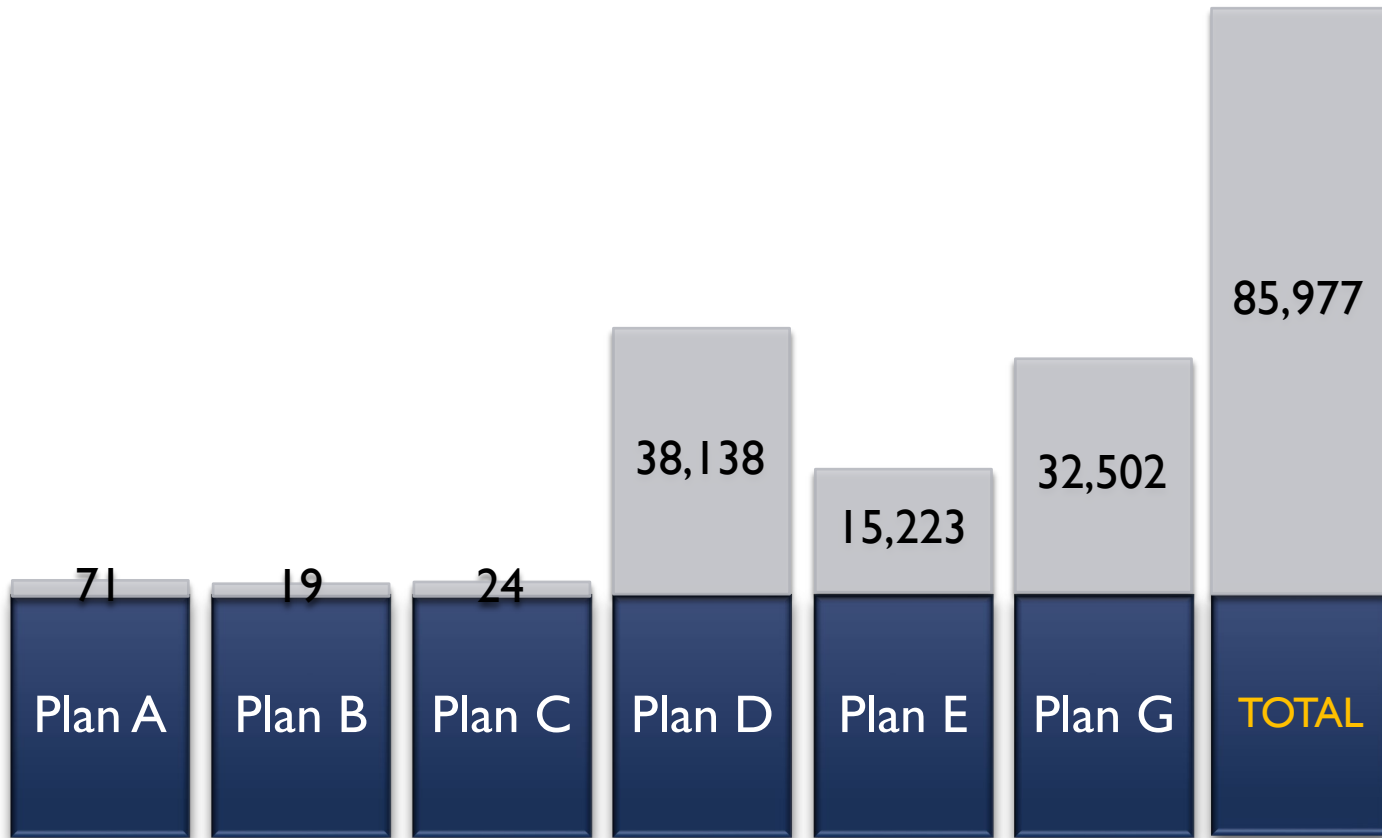
MEMBERSHIP



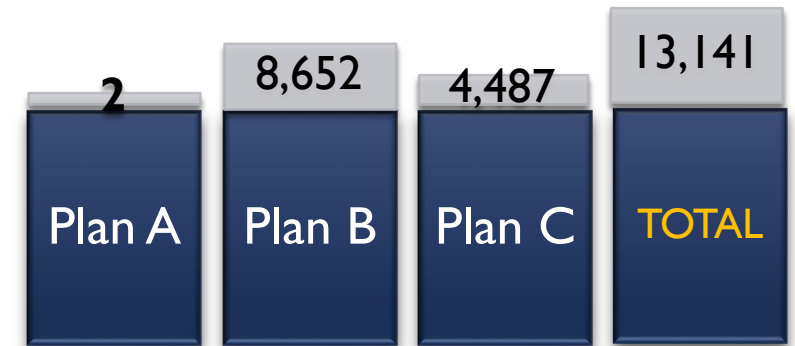
ACTIVE PLAN MEMBERSHIP

AS OF JUNE 30, 2021

GENERAL



SAFETY



OPEB TRUST

FAIR VALUE BY AGENCY

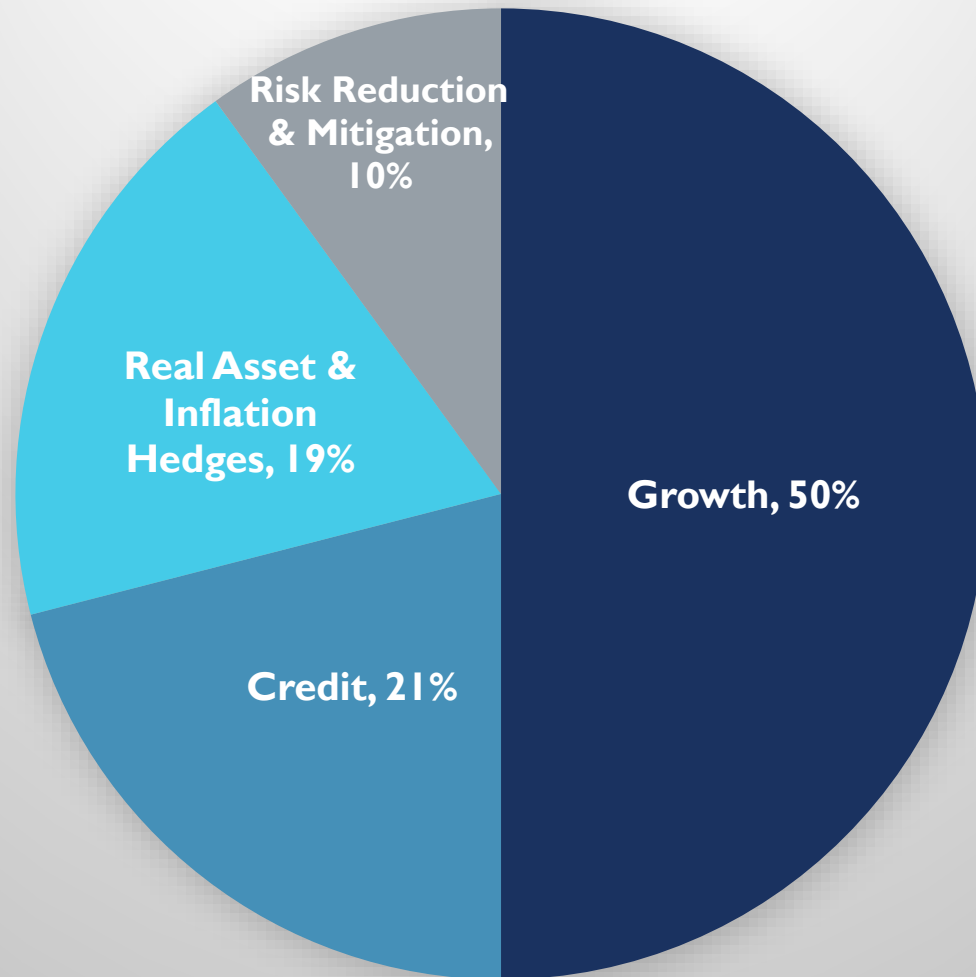
OPEB TRUST

(Dollar in Thousands)	2021	2020
LOS ANGELES COUNTY	\$2,235,814	\$1,441,398
LACERA	8,810	5,638
SUPERIOR COURT	62,203	45,592
TOTAL BALANCE	\$2,306,827	\$1,492,628

CUMULATIVE CONTRIBUTIONS

LOS ANGELES COUNTY	LACERA	SUPERIOR COURT	TOTAL
\$1,535,502	\$6,179	\$41,844	\$1,538,525

Functional Asset Allocation As of June 30, 2021



ASSET
ALLOCATION
OPEB TRUST

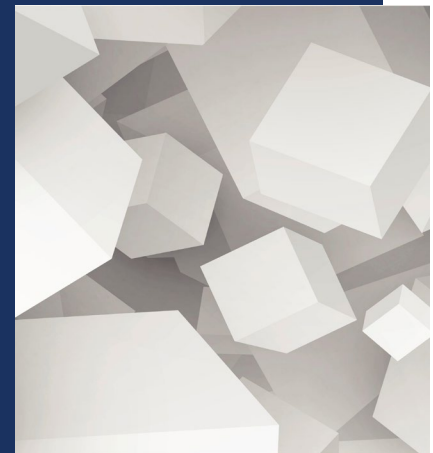
LOOKING AHEAD

- Upcoming GASB pronouncements
 - **GASB 87 – *Leases***
 - Lease agreement/contract inventory
 - Evaluate applicability
 - Draft and review disclosures
 - Effective for fiscal year ending June 30, 2022

 - **GASB 96 - *Subscription Based Information Technology Arrangements (SBITAs)***
 - Intangible assets with a subscription liability
 - Contracts that convey control of the right to use another party's information technology software
 - Uniform accounting and reporting, and alignment with GASB 87
 - Effective for fiscal year ending June 30, 2023



Q&A






THANK YOU

November 17, 2021

TO: Operations Oversight Committee
Shawn R. Kehoe, Chair
Herman B. Santos, Vice Chair
Ronald A. Okum
Les Robbins
Vivian H. Gray, Alternate

FROM: Bernie Buenaflor 
Chief, Quality Assurance & Metrics Division

FOR: December 1, 2021, Operations Oversight Committee Meeting

SUBJECT: **Annual QA Audit Report**

LACERA's Quality Assurance and Metrics Division (QA) has prepared the enclosed annual audit report to the Operations Oversight Committee (OOC) to convey the results of QA's audit activities throughout the fiscal year ending June 30, 2021. QA Staff will be available at the December 1, 2021, OOC meeting to provide an overview of the report and address any concerns or questions that you may have.

The last QA annual audit report was issued for the fiscal year ended June 30, 2018. No reports were issued for the subsequent two years due to several setbacks experienced by the Division, specifically:

- 1) The MS Access Databases used to manage the audit process became obsolete and inoperable. Audit coverage was reduced, which led QA to trim its scope of work to primarily focus on processes with the most significant impact on members, such as retirements and service credit purchases. Until a more effective replacement could be developed, QA staff used spreadsheets, a partly salvaged database, and emails to document and track their work.
- 2) Within the last fiscal year, QA experienced turnover in 9 out of its 19 budgeted positions, and currently has 5 vacant positions. The current vacancies consist of 3 Senior QA Auditor positions and 2 QA Auditor II positions.
- 3) COVID-19 required that QA adapt to a nearly 100% telecommuting operation.

The last fiscal year wasn't without its achievements, though. The following positive developments in QA's audit work also occurred within the last fiscal year:

- 1) QA was reorganized to more precisely allocate available Staff resources to key functions.
- 2) QA, in collaboration with the Process Management Group and Systems, implemented the Member Operations Group Audit Platform (MOGAP) and a new framework for documenting QA's audit work.
- 3) The proportion of audits conducted prior to completion increased to over 80% of all cases audited. This was a key initiative to ensure that any potential problems are identified, recorded, and corrected before the problems impact members.
- 4) Weighted and Un-weighted accuracy scores were presented to improve transparency.

Looking forward, QA is hoping to pursue the following initiatives in its audit work:


- 1) Reorganize for greater independence and objectivity
- 2) Reach Full Staffing
- 3) Expand scope of audits based on risk levels
 - a) More processes
 - b) Call monitoring
 - c) Member correspondence
 - d) Member surveys
- 4) Increase the proportion of audits performed on a pre-completion basis
- 5) Work with our partners to explore new tools and techniques for clearing member account exceptions
- 6) Instill the "auditor mindset" into all MOG staff through Advanced CERL Education (ACE) training.

Memo to Operations Oversight Committee
Re: Annual QA Audit Report
November 17, 2021

Page 3

In the balance, QA has continued to diligently pursue its mission of providing a critical quality control function for the Member Operations Group (MOG). By independently and objectively measuring the accuracy of the work performed by the MOG teams, using a systematic and risk-based approach, QA is able to report that the MOG teams performed their work during the fiscal year ending June 30, 2021, at the standard of quality set by LACERA, achieving an overall accuracy rating of approximately 98%. All action items incurred during the subject fiscal year have been fully resolved, and, with the benefit of the new MOGAP, the MOG teams have been able to resolve their ongoing action items in a timely manner. Furthermore, the graduates of the Core Benefits Training Program were able to achieve a 96% accuracy level at the close of training which, historically, has bode well for their future success in the MOG.

Reviewed and Approved



JJ Popowich
Assistant Executive Officer, LACERA

Encl.

**REPORT OF THE
QUALITY ASSURANCE REVIEW
Fiscal Year 2020 – 2021**



DECEMBER 1, 2021

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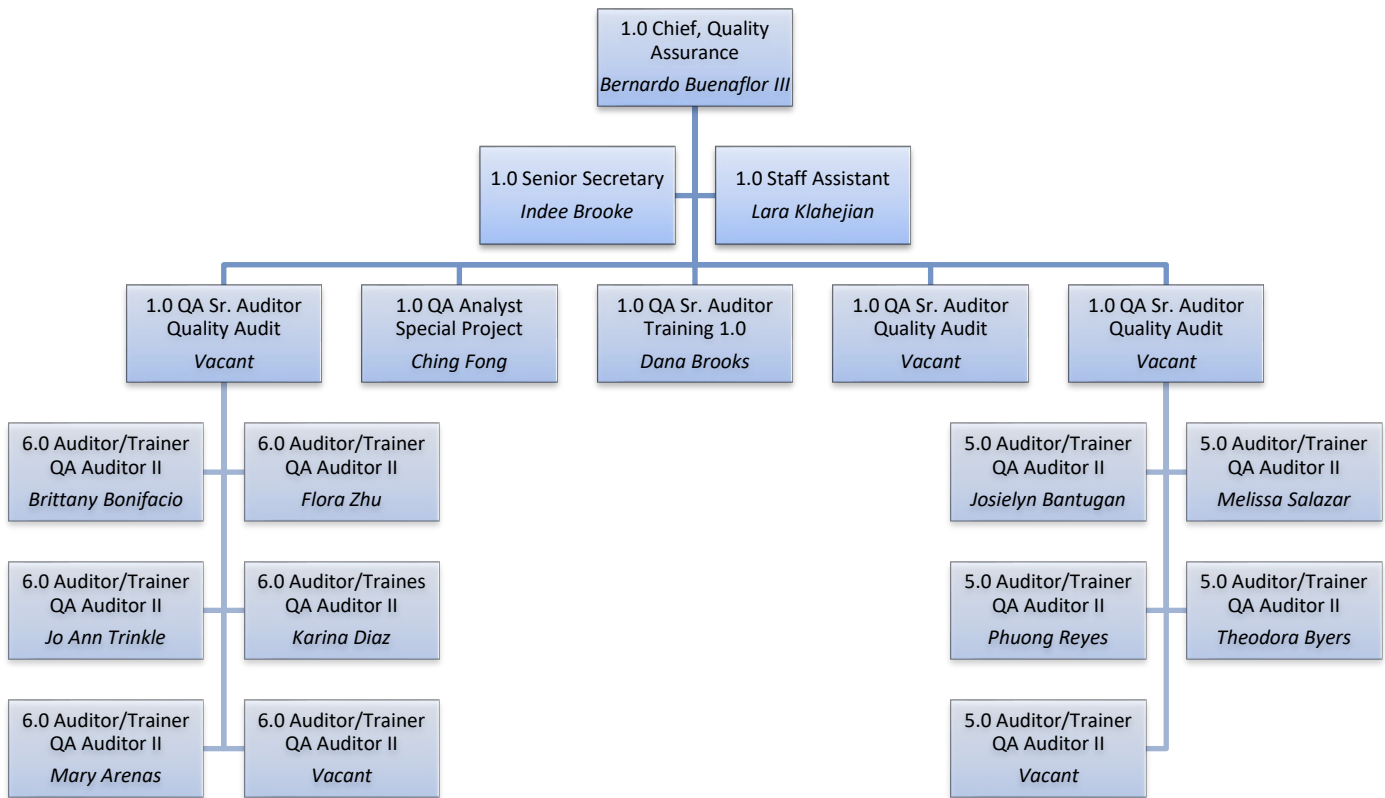
EXECUTIVE SUMMARY

► Introduction to Quality Assurance and Metrics

LACERA's Quality Assurance and Metrics Division (QA) provides independent and objective quality monitoring to support the accurate, efficient, and timely delivery of benefits provided by LACERA's Member Operations Group (MOG). The Executive Office has defined QA's responsibilities and aligned them with LACERA's strategic plans.

The Quality Auditors and Administrative staff are:

Bernardo Buenaflo III, Brittany Bonifacio, Ching Fong, Dana Brooks, Flora Zhu, Indee Brooke, Jo Ann Trinkle, Josielyn Bantugan, Karina Diaz, Lara Klahejian, Mary Arenas, Melissa Salazar, Phuong Reyes, and Theodora Byers



► Background

During Fiscal Year 2020-2021 Quality Assurance scope of auditing contracted due to the following factors:

- **Database Failure**

Prior to May 2021, Pre-completion, Post Completion and CORE Benefit Training audit results were housed in several MS Access Databases. Over time these databases became obsolete and began to fail. This resulted in a significant reduction in QA's sampling of Active Death cases from a regular frequency to an ad-hoc frequency, as well as the need to revert to spreadsheets, a partially functional salvaged database, and emails to conduct the remaining audits. Without the access databases, QA was unable to provide reports or track staff's accuracy scores. Note, however, that QA implemented a replacement to the MS Access databases in May 2021, so QA is now once again fully auditing All Active Death cases.

- **Staff Shortages**

Starting November 2020, QA lost to attrition almost all its Division leadership, including the Division Manager and 4 out of 5 Senior Auditors. In total, 9 out of 19 budgeted positions experienced turnover, and, to date, there are still 5 vacancies (3 Senior Auditors and 2 Auditor II's). Despite our efforts to fill the senior vacancies, we were only able to fill one position. Of the 14 currently filled positions, one staff member is away on extended leave, and one has recently returned from a multi-year Career Development assignment. QA's staff shortages hindered its capacity and potential opportunities to expand its audit scope or implement significant process improvements. In the coming fiscal year, QA will work with HR to address this issue.

- **COVID-19**

Due to the COVID-19 pandemic, employees had to suddenly transition to a remote work. Initially, with inadequate resources and experience, as well severely limited access to its audit tools, QA staff productivity and effectiveness suffered. With the hard work of LACERA's Systems Division and QA Staff's perseverance, QA was able to eventually adapt to the new conditions and began to recover their former productivity.

Despite the setbacks, Quality Assurance did have noteworthy achievements.

- **Data Report Improvements**

Each audit criterion is assigned a weight, which allows QA to calculate a weighted, risk-based accuracy rating and an unweighted accuracy rating. To calculate the accuracy rate using Weighted Criteria, an established criterion is assigned a value and weight, based on the level of risk and the criterion's importance to the process. For the accuracy rating using the Un-weighted Criteria, each sample is measured against the agreed upon criteria which are assigned equal value, weight, and importance. Each criterion is then marked with a Pass, Fail, or N/A, based on the auditor's review.

Historically, Quality Assurance has only reported the weighted risk-based accuracy. To enhance its reporting and for more transparency going forward, both the weighted and unweighted ratings will be presented. Executive Management has determined the target accuracy level is 98%.

(Appendix A on page 16 illustrates the weighted SWOP criteria; page 19 illustrates the unweighted SWOP criteria: Eligibility, Worksheet, Salaries, Lump Sum, Data Entry, Service Credit and Cost Letter/Documentation. Samples 1, 2, and 3 represent the member's request. The percentages represent the criterion's importance to the process and the numeric values represent the level of risk.)

- **New Auditing Platform – Member Operations Group Auditing Platform (MOGAP)**
In May 2021, QA began using the SharePoint Member Operations Group Audit Platform (MOGAP) to perform all QA audits, both pre-completion and post completion, as well as Core Benefits Training audits, using consistent standards and methodologies. This resulted in a new structure of reporting audit observations and review notes using Action Items, QA Referrals, and Other Recommendations.

On July 1, 2021, QA resumed its audits of Active Death cases.

(Appendix B on page 20 illustrates the format of each type of Review Note.)

- **Increase Pre-completion Audits**
QA has significantly shifted its audits from Post-completion to Pre-completion audits (now over 80% pre-completion) to help ensure that the end-product that is delivered to our members is correct.
- **Re-organization of Quality Assurance**
With new management QA was restructured to more precisely allocate available staff resources to its key functions. The QA Division organization chart can be found on Page 1 of the report.

► Introduction to Quality Audits

The Quality Assurance & Metrics Division perform three (3) types of audits:

- **Pre-Completion Auditing** is performed prior to the delivery of a MOG transaction end-product to the member. This helps ensure that the transaction meets LACERA's quality standards upon delivery.
- **Post Completion Auditing** assesses the accuracy of a completed MOG transaction to help management in overseeing the associated business processes and staff performance.
- **CORE Benefit Training Audit** is performed prior to the delivery of a Core Benefit Trainee's live production end-product to the member. This helps ensure that the transaction meets LACERA's quality standards upon delivery. It also helps Management evaluate the trainee's performance in support of their hiring decision.

The Audit conducted by QA generates feedback regarding work performed by MOG Staff in the form of Audit Review Notes. This feedback is provided to the MOG Staff's immediate supervisor, Section Head and Division management. Periodically, QA prepares audit reports for the respective Division Management, the Executive Office, and the Operations Oversight Committee of LACERA's Board of Retirement. There are three kinds of QA Audit Review Notes, as follows:

- **Action Items** are conditions resulting from a tested transaction that did not meet (or pass) the established quality standards. The impact of an action item on a transaction's accuracy rating is calculated based on the associated audit criteria and that criteria's pre-determined weighting. LACERA requires all action items to be addressed or rejected by the appropriate level of management before an auditor can close those action items, as well as the underlying test selection. If QA Action Items were not issued, the test selection is deemed 100% accurate.
- **QA Referrals** are conditions not resulting from the audited work, but which warrant follow up to ensure the integrity of the related member's account. For each QA Referral, an auditor will issue a service request to the appropriate work queue so that the necessary follow-up can be performed by the appropriate party.
- **Other Recommendations** are audit observations not directly relevant to the member whose transaction was audited, but which are relevant to the quality, timeliness or efficiency of the process or business unit being audited.

► **Overall Production Accuracy, Samples, and Action Items by Audit Type
FY 2020-2021**

TABLE 1

	Pre-Completion Audit	Post Completion Audit	CORE Benefit Training Audit	Totals
Accuracy	97.22%	98.76%	96.07%	97.34%
Samples	5,588	1,228	792	7,608
Action Items	773	52	168	993
Outstanding Action Items	0	0	0	0

► **Pre-Completion Audit**

The purpose of the Pre-Completion Audit is to help ensure accurate processing of outgoing member requests by auditing the transaction prior to its completion and delivery to the member. While pre-completion audits can be performed by members of the MOG Division, as well as QA, for purposes of independence and objectivity, QA only factors in the audit work performed by QA when it reports on the quality of the work performed. Any pre-completion audits

performed by the MOG Division Staff are excluded from QA’s reports, but they do help Management to manage their processes and staff performance.

In fiscal year 2020-2021, the Pre-Completion Audit reviewed 13 business processes. The sampling method is based on an agreement with the Benefits Division that staff upload 100% of the production in the MOGAP for Pre-Completion Audit. Based on the Executive office’s Strategic Plan, QA prior fiscal year goal was to audit up to 75% of the total production for the selected processes. QA currently audits 80.36% of the total production for the 13 processes.

The number of members’ transactions audited in the MOG Pre-Completion was 5,588, resulting in 773 Action Items. Staff resolved all Action Items prior to completion of the transactions to minimize the negative impact on members.

Overall, the accuracy rate increased from the last fiscal year by 3.19% from 94.03% to 97.22% as shown in Table 2. The increase in accuracy was due to improvement in the following processes and criteria:

- 30 Year Cancellation of Contributions: Eligibility and Account Validation
- Open Window Plan Transfer: Cost Calculation and Service Credit

TABLE 2		2020	2021
Accuracy		94.03%	97.22%
Samples		5,502	5,588
Action Items		739	773

Out of 13 processes, 3 meet or exceed LACERA’s 98% accuracy target.

TABLE 3					
Organization Goal 98% and Above	%	Quality Audit Goal 95% to 98%	%	Observation Audit Below 95%	%
1. Open Window Plan Transfer	100.00	5. Retirement Estimates	97.78	13. Termination	91.91
2. Sick Without Pay	98.64	6. Reciprocity	97.41		
3. Temporary Time	98.20	7. Retirement Agenda	97.20		
4. 30 Year Cancellation	98.00	8. Military/Federal	96.45		
		9. General to Safety	95.92		
		10. Other Public Agency	95.58		
		11. Redeposit	95.31		
		12. Incremental Buyback	95.25		

► **Post Completion Audit**

The purpose of the Post Completion Audit is to assess the accuracy of business processes, and the staff performing the work. Post Completion Audits are performed after the subject transactions are completed. To maintain audit independence, these audits are performed solely by QA. Data from these audits are used to identify process improvement and training opportunities. The auditee division supervisors are responsible for following up with staff regarding action items to ensure immediate correction, and thus minimize delay in completing work. QA auditors must verify that Staff have addressed the Action Items connected with their work before QA auditors can close out their test selection.

In fiscal year 2021, the Post Completion Audit reviewed 4 business processes using random sample selections from completed transactions. The number of members’ transactions audited was 1,228, resulting in 52 Action Items. Staff resolved all Action Items within a fixed timeframe to minimize the negative impact on members.

Overall, the accuracy rate increased from the last fiscal year by 0.65% from 98.11% to 98.76% as shown in Table 4. The increase in accuracy was due to improvements in First Payment audits under Service Credit and Final Compensation audit criteria.

TABLE 4		
	2020	2021
Accuracy	98.11%	98.76%
Samples	1,352	1,228
Action Items	94	52

There were 3 out of 4 processes that met or exceeded the target accuracy rate of 98%:

TABLE 5					
Organization Goal 98% and Above	%	Quality Audit Goal 95% to 98%	%	Observation Audit Below 95%	%
1. Direct Deposit	99.79	4. First Payment	96.62		
2. Federal/State Tax	99.09				
3. Beneficiary Change	98.58				

► **CORE Benefit Training Audit**

The purpose of the CORE Benefit Training Audit is to assess new hires’ abilities in processing members’ requests based on foundational core business processes and to provide audit feedback in a safe learning environment. This work is performed by a cross-functional team, consisting of members of the MOG Divisions in partnership with members of QA. MOG Division Managers and QA use the combined accuracy measurements to evaluate the performance of the students in the training class and to help determine how training can be adjusted or augmented to improve trainees’ performance prior to completion of training.

In fiscal year 2020-2021, the Training Audit reviewed 10 business processes using 100% sampling.

The number of members’ transactions audited was 792, resulting in 168 action items. The Training Audit ensures that trainees process members’ requests in compliance with business rules, and all action items are required to be resolved prior to completion and delivery of the end product to the member.

Overall, the accuracy rate decreased from the last fiscal year by 0.35% from 96.42% to 96.07% as shown in Table 6. Note, however, that the number of transactions sampled was much lower due to the difficulties experienced during the initial COVID-19 pandemic response. The smaller sample size accounted for the statistical reduction in the overall accuracy percentage.

TABLE 6	2020	2021
Accuracy	96.42%	96.07%
Samples	2,969	792
Action Items	654	168

There were 2 out of 10 processes that met or exceeded the minimum accuracy rate of 98%:

TABLE 7

Organization Goal 98% and above	%	Quality Audit Goal 95% to 98%	%	Observation Audit Below 95%	%
1. Sick Without Pay	98.68	3. Military/Federal	97.96	7. Termination	93.99
2. Incremental Buyback	98.34	4. General to Safety	97.05	8. Redeposit	93.06
		5. Temporary Time	97.03	9. Other Public Agency	91.29
		6. Retirement Estimates	96.72	10. Plan Transfer	86.46

It is important to keep in mind that all errors are corrected prior to the member being impacted.

► Closing Comments

The Quality Assurance & Metrics Division is committed to improving processes through continuous planning, monitoring, assessments, and evaluations. We incorporate data from the three (3) audits to design and develop additional training to address areas of potential improvement.

Despite the challenges previously described, QA continues to make progress and is looking forward to pursuing the following initiatives in the future, with the support of the Board of Retirement:

- Further Re-organizing of Quality Assurance to enhance its independence and objectivity
- Conducting onboarding Exams through HR to fully staff the Division
- Increasing QA's scope of audits to include more processes and allocate resources to those processes based on their relative risk
- Taking on additional audit-related functions in support of LACERA's goal of improving the Member Journey, such as Call Monitoring, reviewing Member Correspondence, and Member Surveys
- Continuing to increase the proportion of audits performed on a Pre-Completion basis so we can continue to catch errors before they affect our members
- Working with our partners to explore new tools and techniques for clearing member account exceptions
- Creating an Account Certification module to perform a comprehensive analysis, documentation, rectification, and certification of the accuracy and completeness of an account

Instilling the "auditor mindset" and greater analytical skills into all MOG staff through Advanced CERL Education (ACE) training so that they are better prepared to support LACERA's vision of multi-channel service, including self-service

The Quality Assurance & Metrics Division strives to contribute to LACERA's quality eco-system, which includes continual improvement activities. QA will continue to consult with their partners throughout LACERA, such as the other MOG Divisions and Systems, to enhance QA's value to LACERA and its members. We are hopeful that these efforts will lead to additional increases in accuracy, better member experiences, and process efficiency, with the ultimate goal being 100% accuracy.

► Pre-Completion Audit – Weighted Accuracy Data

Chart A – Pre-Completion Audit: Comparative Accuracy Rates, Fiscal Years ending 2017-2021

Process	2021	2020	2019	2018	2017	% Increase (-Decrease)			
						2020-21	2019-20	2018-19	2017-18
30 Year Cancellation	98.00%	77.50%	97.37%	97.22%	99.85%	20.50%	-19.87%	0.15%	-2.63%
Age/Rate Change	-	86.04%	96.67%	100.00%	100.00%	-	-10.63%	-3.33%	0.00%
Death	-	98.53%	97.34%	97.03%	97.23%	-	1.19%	0.31%	-0.20%
<i>Plan Transfer</i>									
<i>a) Open Window</i>	100.00%	72.06%	91.58%	89.40%	93.05%	27.94%	-19.52%	2.18%	-3.65%
<i>b) Incremental Buy Back</i>	95.25%	96.53%	95.67%	94.63%	96.08%	-1.28%	0.86%	1.04%	-1.45%
<i>Previous Service Contracts</i>									
<i>a) General to Safety</i>	95.92%	98.31%	95.21%	98.17%	94.45%	-2.39%	3.10%	-2.96%	3.72%
<i>b) Military / Federal Time</i>	96.45%	98.14%	98.72%	96.25%	93.56%	-1.69%	-0.58%	2.47%	2.69%
<i>c) OPA</i>	95.58%	97.35%	98.18%	97.74%	95.38%	-1.77%	-0.83%	0.44%	2.36%
<i>d) Redeposit</i>	95.31%	98.27%	95.11%	94.62%	95.35%	-2.96%	3.16%	0.49%	-0.73%
<i>e) SWOP</i>	98.64%	98.41%	98.48%	97.05%	92.88%	0.23%	-0.07%	1.43%	4.17%
<i>f) Temporary Time</i>	98.20%	98.55%	98.10%	97.07%	96.78%	-0.35%	0.45%	1.03%	0.29%
Reciprocity	97.41%	100.00%	95.61%	97.31%	97.39%	-2.59%	4.39%	-1.70%	-0.08%
Retirement Estimate	97.78%	100.00%	100.00%	98.95%	95.97%	-2.22%	0.00%	-	-
Service Retirement Agenda	97.20%	96.69%	97.94%	97.63%	96.20%	0.51%	-1.25%	0.31%	1.43%
Termination Letters	91.91%	-	95.00%	99.09%	96.39%	-	-	-4.09%	2.70%
AVERAGE	97.22%	94.03%	96.73%	96.81%	96.04%	3.19%	-2.70%	-0.08%	0.77%

Chart B – Percent of Pre-Completion Cases Audited – Fiscal Years ending 2017-2021

Process	2021 (MOGAP)			2020			2019			2018			2017			% Increase (-Decrease)			
	Pre-Completion	Audited	%	Pre-Completion	Audited	%	Pre-Completion	Audited	%	Pre-Completion	Audited	%	Pre-Completion	Audited	%	2020-21	2019-20	2018-19	2017-18
30 Year Cancellation	53	5	9.43%	37	4	10.81%	100	4	4.00%	189	3	1.59%	140	38	27.14%	-1.38%	6.81%	2.41%	-25.56%
Age/Rate Change	-	-		17	14	82.35%	7	4	57.14%	16	1	6.25%	1	1	100.00%	-	25.21%	50.89%	-93.75%
Death	-	-		77	77	100.00%	111	111	100.00%	111	103	92.79%	121	107	88.43%	-	0.00%	7.21%	-
<i>Plan Transfer</i>																			
<i>a) Open Window</i>	30	8	26.67%	11	4	36.36%	84	66	78.57%	79	38	48.10%	128	34	26.56%	-9.70%	-42.21%	30.47%	21.54%
<i>b) Incremental Buy Back</i>	153	104	67.97%	142	103	72.54%	281	239	85.05%	316	196	62.03%	284	158	55.63%	-4.56%	-12.52%	23.03%	6.39%
<i>Previous Service Contracts</i>																			
<i>a) General to Safety</i>	119	96	80.67%	111	82	73.87%	161	102	63.35%	186	73	39.25%	110	60	54.55%	6.80%	10.52%	24.11%	-15.30%
<i>b) Military / Federal Time</i>	329	238	72.34%	413	168	40.68%	556	200	35.97%	426	159	37.32%	339	183	53.98%	31.66%	4.71%	-1.35%	-16.66%
<i>c) OPA</i>	407	208	51.11%	655	190	29.01%	900	321	35.67%	726	237	32.64%	431	228	52.90%	22.10%	-6.66%	3.02%	-20.26%
<i>d) Redeposit</i>	59	48	81.36%	58	41	70.69%	149	113	75.84%	128	79	61.72%	102	68	66.67%	10.67%	-5.15%	14.12%	-4.95%
<i>e) SWOP</i>	520	377	72.50%	570	308	54.04%	676	285	42.16%	682	310	45.45%	567	288	50.79%	18.46%	11.88%	-3.29%	-5.34%
<i>f) Temporary Time</i>	1197	1011	84.46%	1739	884	50.83%	1925	1031	53.56%	1762	991	56.24%	1,436	836	58.22%	33.63%	-2.72%	-2.68%	-1.97%
Reciprocity	68	13	19.12%	69	3	4.35%	83	29	34.94%	365	58	15.89%	169	28	16.57%	14.77%	-30.59%	19.05%	-0.68%
Retirement Estimate	290	14	4.83%	431	376	87.24%	6	5	83.33%	57	0	0.00%	214	16	7.48%	-82.41%	3.91%	83.33%	-7.48%
Service Retirement Agenda	3454	3454	100.00%	3248	3248	100.00%	3133	3133	100.00%	3307	3307	100.00%	3,310	3110	93.96%	0.00%	0.00%	0.00%	6.04%
Termination Letters	275	12	4.36%	38	0	0.00%	76	1	1.32%	630	11	1.75%	819	13	1.59%	4.36%	-1.32%	-0.43%	0.16%
TOTALS / AVERAGE % Audited	6,954	5,588	80.36%	7,616	5,502	72.24%	8,248	5,644	68.43%	8,980	5,566	61.98%	8,171	5,168	63.25%	8.11%	3.81%	6.45%	-1.27%

► Post-Completion Audit

Chart C – Post Completion Audit: Weighted and Un-Weighted Accuracy Rates

Process	2021 Weighted	2021 UnWeighted	2020 Weighted	2020 UnWeighted	% Increase (-Decrease)	
					2020-21 W	2020-21 U
Beneficiary Change	98.58%	98.65%	97.15%	97.28%	1.43%	1.37%
Direct Deposit	99.79%	99.88%	99.80%	99.85%	-0.01%	0.03%
Federal / State Tax	99.09%	99.09%	99.81%	99.81%	-0.72%	-0.72%
First Retirement Payment	96.62%	96.68%	96.34%	96.42%	0.28%	0.26%
AVERAGE	98.76%	98.67%	98.11%	97.87%	0.65%	0.80%

Weighted Accuracy Data

Chart D – Post Completion Audit: Comparative Accuracy Rates from Fiscal Years ending 2017-2021

Process	2021	2020	2019	2018	2017	% Increase (-Decrease)			
						2020-21	2019-20	2018-19	2017-18
Beneficiary Change	98.58%	97.15%	97.54%	95.71%	96.29%	1.43%	-0.39%	1.83%	-0.58%
Direct Deposit	99.79%	99.80%	99.90%	99.32%	99.37%	-0.01%	-0.10%	0.58%	-0.05%
Federal / State Tax	99.09%	99.81%	99.44%	98.39%	99.38%	-0.72%	0.37%	1.05%	-0.99%
First Retirement Payment	96.62%	96.34%	98.54%	99.40%	93.20%	0.28%	-2.20%	-0.86%	6.20%
AVERAGE	98.76%	98.11%	98.91%	97.93%	98.13%	0.65%	-0.80%	0.98%	-0.20%

Chart E – Post Completion Audit: Number of Samples from Fiscal Years ending 2017-2021

Process	2021	2020	2019	2018	2017	# Increase (-Decrease)			
						2020-21	2019-20	2018-19	2017-18
<i>Beneficiary Change</i>	330	270	360	308	329	60	-90	52	-21
<i>Direct Deposit</i>	330	270	360	360	360	60	-90	0	0
<i>Federal / State Tax</i>	330	270	360	360	360	60	-90	0	0
First Retirement Payment	238	542	231	20	64	-304	311	211	-44
TOTAL	1,228	1,352	1,311	1,048	1,113	-124	41	263	-65

Weighted Accuracy Data

Chart F – Post Completion Audit: Action Items for FY 2019 - 2020 and 2020 - 2021

Process	Samples / Accuracy				Exceptions					
					Action Items		QA Referrals		Total	
	FY 20-21		FY 19-20		FY 20-21	FY 19-20	FY 20-21	FY 19-20	FY 20-21	FY 19-20
Sample / Accuracy	Sample / Accuracy	A	A	R	R					
Beneficiary Change	330	98.58%	270	97.15%	13	15	1	1	14	16
Direct Deposit	330	99.79%	270	99.80%	2	1	2	1	4	2
Fed & State Tax	330	99.09%	270	99.81%	5	1	2	0	7	1
First Payment	238	96.62%	542	96.34%	32	77	5	9	37	86
TOTALS	1,228	98.76%	1,352	98.11%	52	94	10	11	62	105

Chart G – Post Completion Audit: Number of Action Items from Fiscal Years ending 2017-2021

Process	2021	2020	2019	2018	2017	# Increase (-Decrease)			
						2020-21	2019-20	2018-19	2017-18
Beneficiary Change	13	15	21	27	26	-2	-6	-6	1
Direct Deposit	2	1	1	6	3	1	0	-5	3
Federal / State Tax	5	1	4	10	5	4	-3	-6	5
First Retirement Payment	32	77	12	1	16	-45	65	11	-15
TOTAL	52	94	38	44	50	-42	56	-6	-6

► CORE Training Audit

Chart H – Trainee Production: Weighted and Un-Weighted Accuracy Rates

Process	2021	2021	2020	2020	% Increase (-Decrease)	
	Weighted	UnWeighted	Weighted	UnWeighted	2020-21 W	2020-21 U
Incremental Buy Back	98.34%	97.31%	98.02%	96.24%	0.32%	1.07%
Plan Transfer	86.46%	89.58%	91.07%	92.88%	-4.61%	-3.30%
<i>Previous Service</i>						
<i>a) General to Safety</i>	97.05%	95.38%	94.22%	93.58%	2.83%	1.80%
<i>b) Military / Federal Time</i>	97.96%	97.03%	98.10%	97.40%	-0.14%	-0.37%
<i>c) OPA</i>	91.29%	92.79%	98.15%	97.74%	-6.86%	-4.95%
<i>d) Redeposit</i>	93.06%	90.57%	92.78%	90.09%	0.28%	0.48%
<i>e) SWOP</i>	98.68%	98.26%	96.12%	94.18%	2.56%	4.08%
<i>f) Temporary Time</i>	97.03%	95.87%	96.26%	95.26%	0.77%	0.61%
Reciprocity	-	-	96.64%	96.62%	-	-
30 Year Cancellation	-	-	97.35%	96.35%	-	-
Termination Letter	93.99%	94.05%			93.99%	94.05%
Estimates	96.72%	96.25%	98.42%	97.58%	-1.70%	-1.33%
AVERAGE	96.07%	95.60%	96.42%	95.45%	-0.35%	0.15%

CORE Training Audit – Weighted Accuracy Data

Chart I – Training Audit: Action Items / QA Referrals for FY 2019 - 2020 and 2020 - 2021

Process	Samples / Accuracy				Exceptions					
					Action Items		QA Referrals		Total	
	FY 20-21		FY 19-20		FY 20-21	FY 19-20	FY 20-21	FY 19-20	FY 20-21	FY 19-20
Sample / Accuracy	Sample / Accuracy	A	A	R	R					
PLAN TRANSFER										
Incremental Buy Back	50	98.34%	190	98.02%	8	28	2	4	10	32
Open Window	5	86.46%	64	91.07%	3	17	0	2	3	19
PREVIOUS SERVICE										
General to Safety	58	97.05%	214	94.22%	16	56	1	10	17	66
Mil Fed	81	97.96%	228	98.10%	14	29	5	2	19	31
OPA	122	91.29%	369	98.15%	37	42	5	2	42	44
Reciprocity	-	-	138	96.64%	-	23	-	4	-	27
Redeposit	37	93.06%	110	92.78%	14	47	0	1	14	48
SWOP	84	98.68%	397	96.12%	6	95	2	17	8	112
Temporary Time	197	97.03%	1,071	96.26%	45	297	7	32	52	329
30 Year Cancellation	-	-	72	97.35%	-	7	-	5	-	12
Termination Letter	21	93.99%	-	-	3	-	0	-	3	-
Retirement Estimate	137	96.72%	116	98.42%	22	13	4	5	26	18
TOTALS	792	96.07%	2,969	96.42%	168	654	26	84	194	738

APPENDIX A – QUALITY ASSURANCE AUDIT METHODOLOGY

The Quality Assurance and Metrics Division performs regular audits of benefit-related transactions to measure the accuracy and quality of the work, to ensure that the end-product meets LACERA’s standards of quality as expressed in the audit criteria, and to identify areas of improvement. A risk assessment was conducted to determine which processes were going to be included in the audit plan.

AUDIT CRITERIA

Each process was broken down into several agreed upon audit criteria (approved and accepted by Management) shown as follows. For example, the Previous Service process has the following criteria, risk levels and weight of each criterion.

TABLE 8

Criteria	Risk	Weight
Eligibility	HIGH	35%
Worksheet	HIGH	35%
Salaries (if applicable)	AVERAGE	15%
Data Entry (if applicable)	AVERAGE	15%
Service Credit	AVERAGE	10%
<ul style="list-style-type: none"> ▪ Cost Letters/ ▪ Documents scanned 	AVERAGE	5%

MOGAP QUALITY AUDIT REVIEW NOTES

Quality Audit Review Notes	Description
QA Action Item	Conditions resulting from the audited work that adversely impact the accuracy or effectiveness of the audited transaction and require immediate corrective action. QA will monitor the status of Action Items until they are satisfactorily addressed or are rejected by someone at least two supervisory levels above the individual performing the audited work.
QA Referral	Conditions not resulting from the audited work, but which warrant follow up to ensure the integrity of the member's account and its related transactions. QA closes the QA Referral once the auditor issues one or more Service Requests in Workspace to address the concerns documented in the QA referral. It is the responsibility of the MOG Division to complete the service request in accordance with normal MOG processes.
Other Recommendations	Audit observations not directly relevant to the audited member's account, but relevant to the quality, timeliness or efficiency of the process being audited or to the general operations of the audited business unit. A QA Supervisor monitors Other Recommendations until they are addressed to the satisfaction of both QA and the MOG Division Manager.

THE THREE COMPONENTS OF A REVIEW NOTE

The Audit Review Note consists of three components which communicate Quality Assurance's observations to the auditee.

1. Criteria

LACERA'S official standard by which the accuracy of a process is measured as adopted by Quality Assurance and its counterparts in Member Operations Group and approved by the Executive Office.

2. Conditions / Causes

The conditions are the relevant facts and evidence supporting the assessment and accuracy of the audit.

The causes are the reasons that the conditions do not meet the criteria.

3. Recommendations and Corrective Action Plan

These are the steps that Quality Assurance suggests be taken to resolve any issues identified in the audit and to meet the standard of the established criteria.

The three qualities of a good recommendation and corrective action plan addresses the following:

1. Historical conditions to correct past issues
2. Immediate current transactions
3. Root case to prevent future issues

ACTION ITEMS

Action Items are issued when the tested transaction did not meet (or pass) the standards of the quality audit criteria. All action items are communicated to the divisions and are distributed to supervisors and staff for immediate corrective actions. After the divisions have corrected the action items, they are returned to QA for approval. QA reviews the responses to the action items and marks each action item as one of the following:

TABLE 9

Approved	=	Accepted (action item was resolved)
Action Required	=	Correction still Required
NA	=	No longer Applicable (the exception is no longer an issue due to changes in the member's account subsequent to the audit)

As required by LACERA, all action items must be corrected before reaching the member or before being implemented into our system for the payment of benefits. After the action item is resolved, the member's request can be completed. If no QA Action Items are issued for the transaction, it is deemed 100% accurate. If a QA Action Item is issued for the transaction, the transaction's accuracy rating is measured based on which audit criteria was involved. Each audit criterion is assigned a weight, which allows QA to calculate a weighted, risk-based accuracy rating and an unweighted, stratified accuracy rating.

APPENDIX B – QA AUDIT – SAMPLE ACCURACY CALCULATIONS

Calculation of accuracy rates using Weighted Criteria

As mentioned earlier, each sample is measured against the agreed upon criteria or check points. Accuracy is calculated based on the number of action items issued and which audit criteria is involved.

EXAMPLE: in the audit month, the total of audited work objects for the Sick Without Pay process is three. Workflow shows that Specialist A completed two of these work objects while Specialist B completed one and the table on the next page shows the results of the audit review.

TABLE 10

	Eligibility	Worksheet	Salaries	Lump Sum Cost	Data Entry	Service Credit	Cost Letter / Documentation	
	35%	10%	15%	10%	15%	10%	5%	= 100%
	7	2	3	2	3	2	1	= 20
Sample 1 Specialist A	Pass	Fail	Fail	Pass	Fail	Pass	Pass	
Sample 2 Specialist A	Pass	Pass	Pass	Pass	Pass	Pass	Fail	
Sample 3 Specialist B	Pass	Fail	N/A	N/A	Fail	Fail	Pass	

To be able to calculate the accuracy rate, we know that Sick Without Pay has 7 criteria or check points. We then assign each criterion a value depending on the assigned weighted value, which is based on the level of risk and the criterion's importance to the business process.

ACCURACY RATE FOR SPECIALIST A

The criterion factors used to determine the accuracy rate of the two Sick Without Pay transactions completed by Specialist A can be viewed as shown here. The % value for each criterion is shown on line 2 (total = 100%); the weighted numeric value assigned to each criterion is shown on line 3 (total = 20).

TABLE 11

	Eligibility	Worksheet	Salaries	Lump Sum	Data Entry	Service Credit	Cost letter / Documents scanned	
	35%	10%	15%	10%	15%	10%	5%	= 100%
	7	2	3	2	3	2	1	= 20 value
Sample 1 Specialist A	Pass	Fail	Fail	Pass	Fail	Pass	Pass	12/20 = (60%)
Sample 2 Specialist A	Pass	Pass	Pass	Pass	Pass	Pass	Fail	19/20 = (95%)
Accuracy by individual criterion	14/14 = 100%	2/4 = 50%	3/6 = 50%	4/4 = 100%	3/6 = 50%	2/2 = 100%	1/2 = 50%	[31/40 = total accuracy 77.5%]

Specialist A's accuracy rate is then calculated using the data for all the samples. The overall accuracy rate for Sick Without Pay would be calculated as follows:

1. the total value of the criteria with the "Pass" mark
(Sample 1, value 12 + Sample 2, value 19 = 31 total)
2. is divided by the total value of all applicable criteria in this sample
(Sample 1, value 20 + Sample 2, value 20 = 40 total)
3. which is equal to a 77.5% overall accuracy rate on the two Sick Without Pay transactions completed by Specialist A.

ACCURACY RATE FOR SPECIALIST B

Specialist B’s accuracy rate on the single sample transaction is calculated as follows:

1. the total value of the criteria with the “Pass” mark (see bottom line of grid: total accuracy criteria = 8)
2. is divided by the total value of all applicable criteria in this sample
 - See 2nd line of grid: total value of pertinent criteria = 15 out of 20 since 5 are not applicable to Sample 3.
 - See 3rd line (audit analysis of sample) where N/A status is indicated under each inapplicable criterion.
3. which is equal to a 53.3% accuracy rate on the Sick Without Pay transaction completed by Specialist B

TABLE 12

	Eligibility	Worksheet	Salaries	Lump Sum	Data Entry	Service Credit	Cost letter / Documents scanned	
	35%	10%	15%	10%	15%	10%	5%	= 100%
	7	2	3	2	3	2	1	= 20 value
Sample 3 Specialist B	Pass	Fail	N/A	N/A	Fail	Fail	Pass	8/15 = (53.3%)
Accuracy by individual criterion	7/7 = 100%	0/2 = 0%	N/A	N/A	0/3 = 0%	0/2 = 0%	1/1 = 100%	[8/15 = total accuracy of 53.3%]

ACCURACY RATE FOR BUSINESS PROCESS – WEIGHTED

The overall accuracy rate for the Sick Without Pay process is then calculated using the data for all the samples. The overall accuracy rate for Sick Without Pay calculated as follows:

1. the total value of the criteria with a “Pass” mark (for all 3 samples: bottom line: total accuracy value = 39)
2. is divided by the total value of all applicable criteria for all 3 samples (applicable criteria total = 55)
 - See bottom line: total value of pertinent criteria = 55 out of 60 since 5 are not applicable to Sample 3.
3. which is equal to an overall accuracy rate of 70.9% for the Sick Without Pay business process.

TABLE 13

	Eligibility	Worksheet	Salaries	Lump Sum Cost	Data Entry	Service Credit	Cost Letter / Documents	
	35%	10%	15%	10%	15%	10%	5%	= 100%
	7	2	3	2	3	2	1	= 20 value
Sample 1 Specialist A	Pass	Fail	Fail	Pass	Fail	Pass	Pass	12/20 = (60%)
Sample 2 Specialist A	Pass	Pass	Pass	Pass	Pass	Pass	Fail	19/20 = (95%)
Sample 3 Specialist B	Pass	Fail	N/A	N/A	Fail	Fail	Pass	8/15 = (53%)
PROCESS Accuracy by individual criterion	21 / 21 = 100%	2 / 6 = 33.33%	3 / 6 = 50%	4 / 4 = 100%	3 / 9 = 33.33%	4 / 6 = 66.67%	2 / 3 = 66.67%	[39/55 = TOTAL ACCURACY .70.9%]

Calculation of accuracy rates using Un-Weighted Criteria

Each sample is measured against the agreed upon criteria or check points which are assigned equal value and importance. Calculations are performed in exactly the same way as indicated for the weighted criteria.

OVERALL ACCURACY RATE FOR BUSINESS PROCESS – UNWEIGHTED

EXAMPLE: This sample of the Sick Without Pay audits is to enable the comparison between weighted and un-weighted criteria calculation.

TABLE 14

	Eligibility	Calculations	Salaries	Lump Sum Cost	Data Entry	Service Credit	Cost letter / Documents	
	14.30%	14.29%	14.29%	14.28%	14.28%	14.29%	14.27%	= 100%
	2.88	2.86	2.86	2.85	2.85	2.86	2.84	= 20 value
Sample 1 Specialist A	Pass	Fail	Fail	Pass	Fail	Pass	Pass	11.43/20 = 57.2%
Sample 2 Specialist A	Pass	Pass	Pass	Pass	Pass	Pass	Fail	17.16/20 = 85.8%
Sample 3 Specialist B	Pass	Fail	N/A	N/A	Fail	Fail	Pass	5.72/14.29 = 40%
PROCESS Accuracy by individual criterion	8.64 / 8.64 = 100%	2.86 / 8.58 = 33.33%	2.86 / 5.72 = 50%	5.7 / 5.7 = 100%	2.85 / 8.55 = 33.33%	5.72 / 8.58 = 66.67%	5.68 / 8.52 = 66.67%	[34.31/ 54.29 = TOTAL ACCURACY of 63.2%]

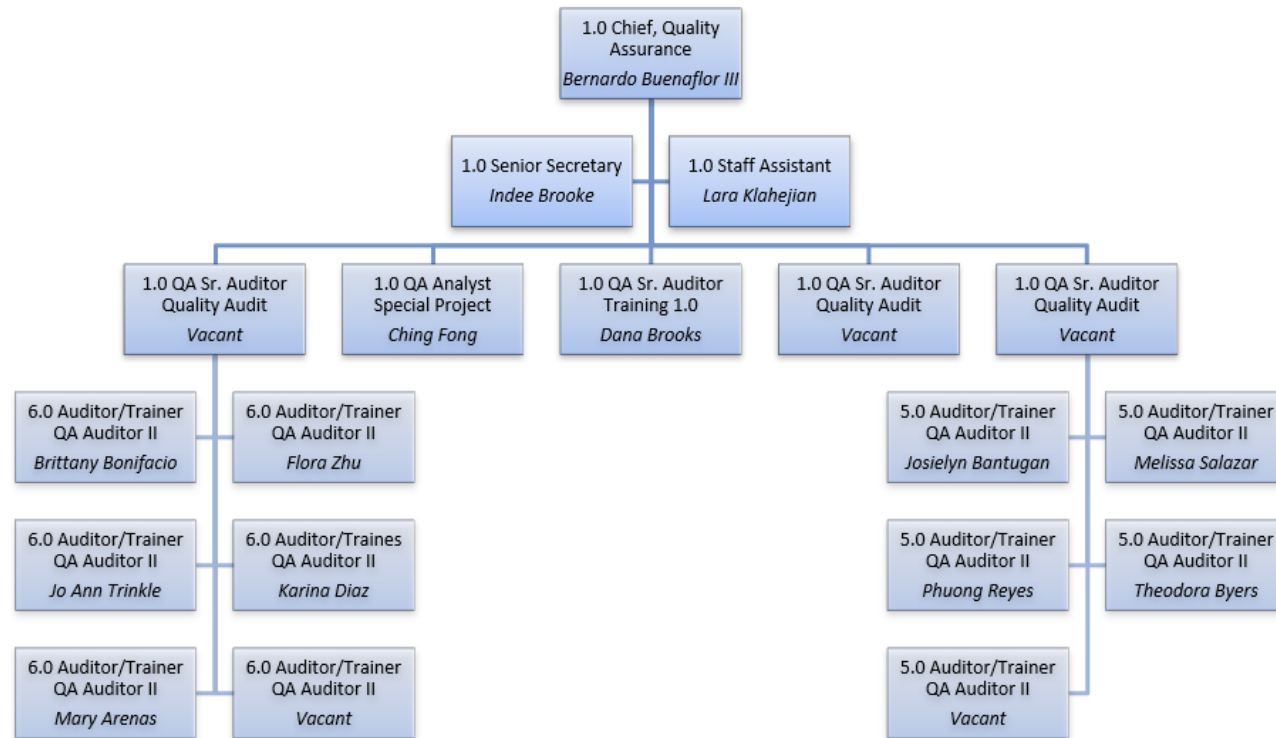
Annual QA Audit Report

L//CERA

Presenter: Bernie Buenaflor, Chief Quality Auditor

Organizational Structure

L/CERA



- 19 budgeted positions
 - Chief Quality Auditor
 - 5 Senior Quality Auditors
 - 11 Quality Auditor II
 - 1 Senior Secretary
 - 1 Staff Assistant

Audit Results – FY 2020 - 2021

The logo for L/CERA, featuring the letters 'L' and 'C' with a stylized double slash between them, followed by 'ERA', all in a bold, sans-serif font.

- 3 Types of Audits
 1. Pre-Completion Audit
 2. Post Completion Audit
 3. CORE Benefit Training Audit

	Pre-Completion Audit	Post Completion Audit	CORE Benefit Training Audit	Totals
Accuracy	97.22%	98.76%	96.07%	97.34%
Samples	5,588	1,228	792	7,608
Action Items	773	52	168	993
Outstanding Action Items	0	0	0	0

Setbacks

- Database Failures
 - MS Access Databases became obsolete and inoperable
- Division staffing shortages
- COVID-19

Achievements

- Re-Organization of Quality Assurance
- New Auditing Platform
 - Member Operations Group Audit Platform (MOGAP)
 - New framework for documenting QA's audit work
- Increase Pe-completion Audits
 - Over 80%
- Data Report Improvements
 - Presentation of Weighted and Un-weighted accuracy scores
 - Improve transparency

L/CERA

QA's Future Initiatives



- Reorganize for greater independence and objectivity
- Full staffing
- Expand Scope of audits based on risk levels
 - More processes
 - Call Monitoring
 - Member Surveys
- Increase proportion of audits on a pre-completion basis
- Explore new tools and techniques for clearing member account exceptions
- Instilling the “auditor mindset”
 - Advanced CERL Education (ACE) training



Documents not attached are exempt from disclosure under the California Public Records Act and other legal authority.

**For further information, contact:
LACERA
Attention: Public Records Act Requests
300 N. Lake Ave., Suite 620
Pasadena, CA 91101**



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