

**NOTICE OF MEETING AND AGENDA**

**SPECIAL 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**

**THURSDAY, JANUARY 11, 2018 - 9:00 A.M.\*\***

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

**COMMITTEE MEMBERS:**

Alan Bernstein, Chair  
Joseph Kelly

**I. APPROVAL OF THE MINUTES**

A. Approval of the minutes of the special meeting of December 14, 2017

**II. PUBLIC COMMENT**

**III. FOR INFORMATION**

A. LACERA Operations Briefing  
JJ Popowich/Bernie Buenaflor

B. Quality Assurance Review Fiscal Year 2016-2017  
Derwin Brown

**IV. REPORT ON STAFF ACTION ITEMS**

**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.**

***Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626)-564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.***

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

THURSDAY, DECEMBER 14, 2017, 4:15 P.M. – 4:30 P.M.

**COMMITTEE MEMBERS**

PRESENT: David Muir, Alternate

ABSENT: Alan Bernstein, Chair  
Anthony Bravo, Vice Chair  
Joseph Kelly  
Ronald Okum

**ALSO ATTENDING:**

**BOARD MEMBERS AT LARGE**

Marvin Adams  
Vivian H. Gray  
Shawn R. Kehoe  
Keith Knox (Chief Deputy to Joseph Kelly)  
Herman B. Santos

**STAFF, ADVISORS, PARTICIPANTS**

JJ Popowich  
Bernie Buenaflor

Due to the absence of Messrs. Bernstein, Bravo, Kelly, and Okum, Board of Retirement Chair Shawn Kehoe appointed Messrs. Santos and Adams as voting members of the Committee, with Mr. Santos as Chair. Mr. Kehoe also announced that Mr. Muir, as the alternate, would be a voting member of the Committee.

The meeting was called to order by Chair Santos at 4:15 p.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the special meeting of November 9, 2017

Mr. Muir made a motion, Mr. Adams seconded, to approve the minutes of the special meeting of November 9, 2017. The motion passed unanimously.

II. PUBLIC COMMENT

III. FOR INFORMATION

A. LACERA Operations Briefing  
JJ Popowich/Bernie Buenaflor

Messrs. Popowich and Buenaflor presented the monthly briefing on LACERA's operations. Many of the items highlighted may recur in subsequent briefings or may result in a future comprehensive OOC presentation.

- Public Records Request Update
- Report of Felony Forfeiture Cases Processed
- Call Center Investigation

IV. REPORT ON STAFF ACTION ITEMS

There was nothing to report on for staff action items.

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT



The meeting adjourned at 4:30 p.m.

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## FOR INFORMATION ONLY

January 2, 2018

TO: Operations Oversight Committee  
Alan Bernstein, Chair  
Anthony Bravo, Vice Chair  
Joseph Kelly  
Ronald Okum  
David Muir, Alternate

FROM: JJ Popowich, Assistant Executive Officer   
Bernie Buenaflor, Interim Assistant Executive Officer 

FOR: January 11, 2018 Operations Oversight Committee Meeting

SUBJECT: **LACERA OPERATIONS BRIEFING**

The purpose of this briefing is to share insights on staff activities, updates on goals, and discuss opportunities and/or concerns. Many of the items highlighted may recur in subsequent briefings or may result in a future comprehensive OOC presentation.

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

DATE RECEIVED	REQUESTER	DOCS REQUESTED
11-17-17	M. Lau, LA Times	<p>Requested information, shown below, on Sheriff's deputy retirement dates and pensions for 2017.</p> <ol style="list-style-type: none"> <li>1. Date of retirement of L.A. Sheriff's Deputy Thomas Jensen #259453 and gross pension amount for 2017, or for the most recent year available;</li> <li>2. Date of retirement of L.A. Sheriff's Deputy David Jouzi #448423 and gross pension amount for 2017, or for the most recent year available;</li> <li>3. Date of retirement of L.A. Sheriff's Deputy Orlando Macias #223258 and gross pension amount for 2017, or for the most recent year available;</li> <li>4. Date of retirement of L.A. Sheriff's Deputy Eric McDonagh #435995 and gross pension amount for 2017, or for the most recent year available;</li> <li>5. Date of retirement of L.A. Sheriff's Deputy Antonio Ramirez #461799 and gross pension amount for 2017, or for the most recent year available;</li> <li>6. Date of retirement of L.A. Sheriff's Deputy Brian Richards #465860 and gross pension amount for 2017, or for the most recent year available;</li> <li>7. Date of retirement of L.A. Sheriff's Deputy Deanna Santino #464912 and gross pension amount for 2017, or for the most recent year available;</li> <li>8. Date of retirement of L.A. Sheriff's Deputy Seon Smyth #217012 and gross pension amount for 2017, or for the most recent year available, and</li> <li>9. Date of retirement of L.A. Sheriff's Deputy Wayne Sweeney #411968 and gross pension amount for 2017, or for the most recent year available.</li> </ol> <p><b><i>Transmitted email response on November 21, 2017: I have attached the responsive information to your request dated November 17, 2017. Note that in the "Comments" column Deferred means the employee has deferred their retirement benefits and Active means the employee has not yet retired. Please let me know if I can be of further assistance.</i></b></p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LATIMES_REQUEST_SHERIFF</i></p>
11-28-17	M. Lau, LA Times	<p>Requested information, shown below, on Sheriff's deputy retirement dates and pensions for 2016.</p> <ol style="list-style-type: none"> <li>1. Date of retirement of L.A. Sheriff's Deputy Thomas Jensen #259453 and gross pension amount for 2016, or for the most recent year available;</li> <li>2. Date of retirement of L.A. Sheriff's Deputy David Jouzi #448423 and gross pension amount for 2016, or for the most recent year available;</li> <li>3. Date of retirement of L.A. Sheriff's Deputy Orlando Macias #223258 and gross pension amount for 2016, or for the most recent year available;</li> <li>4. Date of retirement of L.A. Sheriff's Deputy Eric McDonagh #435995 and gross pension amount for 2016, or for the most recent year available;</li> </ol>

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		<p>5. Date of retirement of L.A. Sheriff's Deputy Antonio Ramirez #461799 and gross pension amount for 2016, or for the most recent year available;</p> <p>6. Date of retirement of L.A. Sheriff's Deputy Brian Richards #465860 and gross pension amount for 2016, or for the most recent year available;</p> <p>7. Date of retirement of L.A. Sheriff's Deputy Deanna Santino #464912 and gross pension amount for 2016, or for the most recent year available;</p> <p>8. Date of retirement of L.A. Sheriff's Deputy Seon Smyth #217012 and gross pension amount for 2016, or for the most recent year available, and</p> <p>9. Date of retirement of L.A. Sheriff's Deputy Wayne Sweeney #411968 and gross pension amount for 2016, or for the most recent year available.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LATIMES_REQUEST_SHERIFF_2016</i></p>
12-01-17	J. Glawe, Individual	<p>Requested all records related to the Retirement System's investments with Stockbridge Capital Group. Records should include but not be limited to pitch materials, any relevant meeting minutes, performance evaluations, investor presentations, information on investment returns, and communications with Stockbridge Capital Group regarding the two funds noted above and any other Stockbridge funds in which the Retirement System was invested. Requested records responsive to the above request for the period of January 1, 2004 to present.</p> <p><b><i>First response transmitted on December 7, 2017 via email: I am sending you this email to confirm our conversation today regarding your December 1, 2017 public record request for Stockbridge Funds records. As discussed, LACERA must review all records since the inception of the Stockbridge relationship. Due to the volume of potential records and to staffing issues during the holidays, LACERA would be able to produce the non-exempt, responsive records by January 5, 2015. We appreciate your understanding in this matter.</i></b></p>
12-07-17	J. Peterson, IPE	<p>Requested board meeting document that goes along with the following agenda item for next week's investment committee meeting:</p> <p>C. Recommendation as submitted by Trina Sanders, Investment Officer and Amit Aggarwal, Investment Officer: That the Board approve a commitment of up to \$50 million to AEW Value Investors III.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: BOI memo dated December 4, 2017 re International Real Estate Commingled Fund AEW Value Investors Asia III – Recommendation: Approve a commitment of up to \$50 million to AEW Value Investors Asia III.</i></p>
12-11-17	A.Voskanyan, ALADS	<p>Requested information regarding the following returns as of June 30, 2017.</p> <ul style="list-style-type: none"> <li>• 1 year returns</li> <li>• 5 year returns</li> </ul>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<ul style="list-style-type: none"> <li>• 10 year returns</li> </ul> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LACERA Investments Quarterly Performance as of September 30, 2017.</i></p>
12-13-17	D. Gregory, Public Plan IQ	<p>Requested the information shown below.</p> <ul style="list-style-type: none"> <li>• December 13, 2017 Board of Investments Meeting: All investment related discussion materials;</li> <li>• December 13, 2017 Joint Organizational Governance Committee: investment related discussion materials;</li> <li>• December 13, 2017 Equity Public/Private Committee Meeting: All investment related discussion materials;</li> <li>• December 13, 2017 DVD recording of the Board of Investments &amp; all Committee Meetings, and</li> <li>• December 13, 2017 Public/Private Equity Committee Meeting materials.</li> </ul> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent via email: BOI Agenda Package for December 13, 2017 meeting and the Equity: Public/Private Committee Agenda Package for December 13, 2017 meeting.</i></p> <p><i>DVDs sent via USPS First Class mail on December 14, 2017.</i></p>
12-13-17	A. Jacobius, P&I	<p>Requested Board of Investments documents, shown below, for meeting held on December 13, 2017.</p> <ol style="list-style-type: none"> <li>1. Private Equity Separate Account Manager Search Finalist Presentations (pg.1);</li> <li>2. OPEB Master Trust Asset Allocation Recommendation (pg. 110);</li> <li>3. International Real Estate Commingles Fund AEW Value Investors Asia III (pg. 132);</li> <li>4. 2017 Third Quarter Hedge Fund Performance Report (pg.196);</li> <li>5. Assembly Bill 2833 Report – Fiscal Year 2017 (pg. 264);</li> <li>6. Private Equity Performance Report (pg. 289); and</li> <li>7. Investment Fee Validation Procedure (pg. 324).</li> </ol> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: BOI Agenda Package for December 13, 2017 meeting.</i></p>





**REPORT OF THE  
QUALITY ASSURANCE REVIEW  
Fiscal Year 2016 – 2017**



JANUARY 2, 2018

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## Introduction to the Quality Audit

The Quality Assurance and Metrics Division was envisioned as a quality monitoring operation for LACERA as an organization.

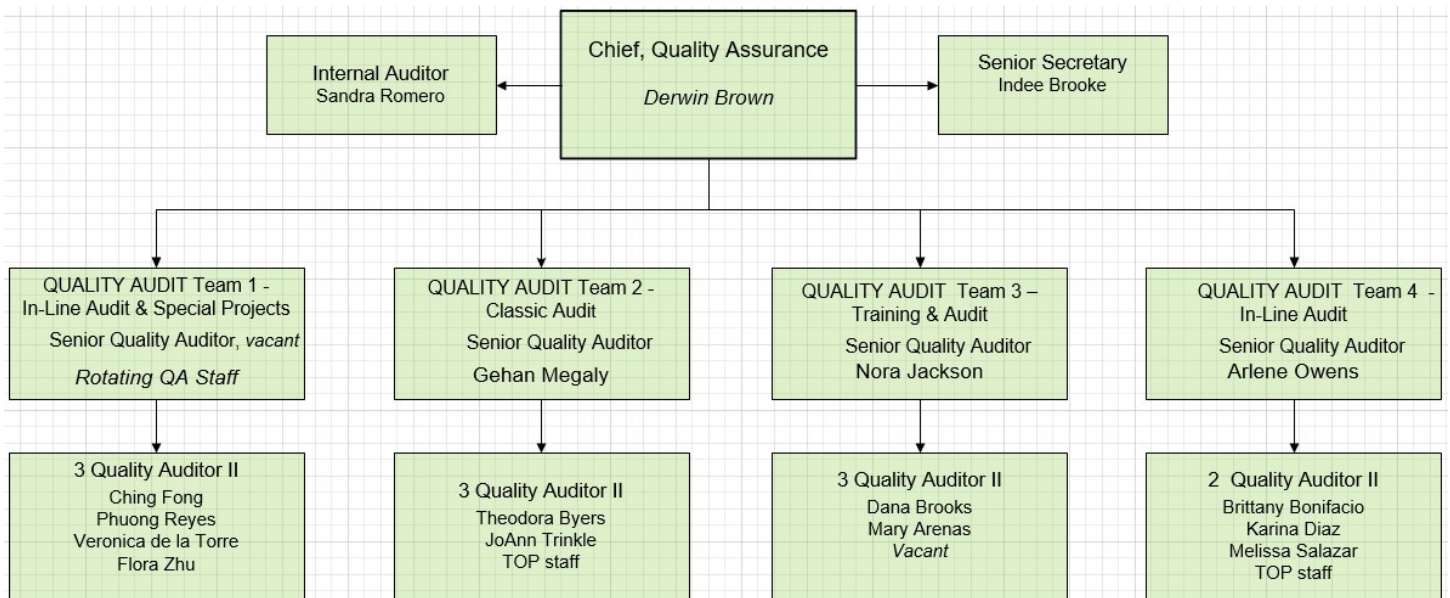
### ► Current Audit Operations

The quality audit has been applied to member transactions and the processing of member requests by the Benefits and the Member Services Divisions.

### ► Quality Assurance and Metrics Division

QA staff who conduct the audit, perform root cause analysis, make recommendations, and maintain the electronic means of doing so are:

Arlene Owens, Brittany Bonifacio, Ching Fong, Dana Brooks, Derwin Brown, Gehan Megaly, Indee Brooke, JoAnn Trinkle, Karina Diaz, Mary Arenas, Melissa Salazar, Nora Jackson, Phuong Reyes, Theodora Byers, Veronica de la Torre, Freddie Verzosa and Flora Zhu. LACERA staff working in QA in the TOP program also contributed: Josielyn Bantugan and Joie Dang,



## Background

The Quality Assurance & Metrics Division was established to achieve the following long-term goals:

- Limit the amount of errors that reach our members
- Review the business process internal controls
- Provide recommendations for improvements to business processes
- Ensure compliance with Retirement Law
- Evaluate and assess performance standards and production accuracy
- Report performance standards and production accuracy
- Determine staff training needs
- Design, develop, and deliver training
- Provide feedback on performance of new-hire training participants
- Review and rewrite benefits-related work procedures for training purposes
- Evaluate customer service accuracy levels

## Executive Summary

Quality Assurance & Metrics perform four (4) types of audits. These audits are the Inline Audit, the Classic Audit, the CORE Benefit Training Audit, and the Observational Audit. The Inline and Classic Audits are on an ongoing basis. The CORE Benefit Training Audit occurs during new-hire training. The Observational Audit is small with a narrow focus in scope and is used in fine-tuning of processing practices. For purposes of these audits, the minimum acceptable accuracy rate is currently set at 95%. As required by LACERA, all exceptions are corrected prior to the completion of the transaction and before reaching the member. There are no outstanding exceptions for the fiscal year 2016-2017. Table 1 shows the “Production Samples and Accuracy by Audit Program for Fiscal Year 2016-2017.”

**Production Samples and Accuracy by Audit Program FY 2016-2017**

	<b>Production Samples</b>	<b>Accuracy</b>	<b>Increase / Decrease</b>
Inline Audit	3,641	98.20%	+ 1.03%
Classic Audit	5,516	97.10%	- 0.13%
CORE Training	1,234	95.00%	- 2.50%
<b>TOTAL / AVERAGE</b>	10,391	96.77%	- 0.53%

TABLE 1

► **Inline Audit**

The *purpose* of the Inline Audit is to assess and identify data anomalies and calculation errors earlier on in the process of fulfilling a member’s request. This will prevent errors from reaching the member and will allow LACERA to maintain member satisfaction.

The *scope* of the Inline Audit is to measure and determine the performance and accuracy of business transactions early on in the process and staff’s individual performance.

In fiscal year 2016-2017, the Inline Audit reviewed 14 business processes. The sampling method is based on an agreement with Benefits Division to upload 100% of the production in the Inline Audit. Quality Assurance’s goal for the fiscal year was to audit up to 75% of the total production.

The number of members’ transactions audited in the Inline was 3,641 with 324 exceptions. All exceptions were resolved before they could impact the members. As a requirement, all exceptions are corrected prior to completion of transaction and before reaching the member.

Overall, the accuracy rate increased from the last fiscal year by 1.03% from 97.17% to 98.20% as shown in Table 2.

	<b>2017</b>	<b>2016</b>
Accuracy	98.20%	97.17%
Samples	3,641	4,305
Exceptions	324	446

TABLE 2

All 14 audited processes met the targeted accuracy rate of 95% and above. These were:

<b>95% and Above</b>
1. 30 Year Cancellation
2. Active Member Death
3. Age/Rate Change
4. General to Safety
5. Incremental Buyback
6. Military/Federal
7. Other Public Agency
8. Plan Transfer
9. Reciprocity
10. Redeposit
11. Retirement Estimate
12. SWOP(sick without pay)
13. Temporary Time
14. Termination Letters

TABLE 3

► **Classic Audit**

The *purpose* of the Classic Audit is to assess processes by risk levels using agreed upon criteria to identify those that require immediate in-depth study for improvements (Root Cause Analysis) and determine the accuracy rate of randomly selected samples of transactions. The purpose is to also evaluate and assess the business processes to create metrics for establishing performance and accuracy standards and evaluate areas that may be subject to intensive review and revision of process documentation.

The *scope* of the Classic Audit is to measure and determine the performance and accuracy of business processes as a completed transaction and staff’s individual performance.

In fiscal year 2016-2017, the Classic Audit reviewed 12 business processes using random sample selection of completed transactions.

The number of members’ transactions audited was 5,517 with 1,214 exceptions. As a requirement, all exceptions are corrected prior to the implementation of the member’s request in Workspace.

Overall, the accuracy rate decreased from the last fiscal year by 0.13% from 97.27% to 97.14% as shown in Table A (page 10). One of the contributing factors to the decrease was the transfer to the Inline Audit of two Classic Audit processes (Termination Letters and Withdrawals) that have been above 98% since 2014.

All 12 audited processes met the targeted accuracy rate of 95% and above. These were:

<b>95% and Above</b>
1. Beneficiary Change
2. Direct Deposit
3. Federal/State Tax
4. Plan Transfer
5. General to Safety
6. Military/Federal
7. Other Public Agency
8. Redeposit
9. SWOP(Sick without pay)
10. Temporary Time
11. Service Retirement Agenda
12. Retirement Estimates

TABLE 4

► **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 training and to provide audit feedback in a safe learning environment. The Training Audit also ensures members’ requests are in compliance and accurate before completion and mailing.

The *scope* of the CORE Benefit Training Audit is to measure and determine the performance and accuracy of the trainee’s individual performance.

In fiscal year 2016-2017, the CORE Benefit Training Audit reviewed 13 business processes using 100% sampling selection.

The number of members’ transactions audited was 1,234 with 473 exceptions. As a requirement, all exceptions are corrected prior to completion and before reaching the member.

Overall, the accuracy rate decreased from the last fiscal year by 2.5% from 97.15% to 95.00% as shown in Table 5. The decrease in accuracy is related to the Account Analysis module that was implemented as a permanent part of training in 2016, which focuses on the analytical research of payroll and contributions records to accurately interpret service credit for memberships that are pre-1990. This new module has proven to be as challenging as it is beneficial.

	<b>2017</b>	<b>2016</b>
Accuracy	95.00%	97.15%
Samples	1, 234	1,561
Exceptions	473	378

TABLE 5

There were 9 out of 13 processes that met the targeted accuracy rate of 95% and above.

<b>95% and Above</b>	<b>94.9% and Below</b>
1. 30 year Cancellation	1. Military/Federal
2. General to Safety	2. Open Window Plan Transfer
3. Incremental Buyback	3. Redeposit
4. Other Public Agency	4. Temporary Time
5. Prospective Plan Transfer	
6. Reciprocity	
7. Retirement Estimates	
8. SWOP(sick without pay)	
9. Termination Letters	

TABLE 6



► **Observation Audit**

The *purpose* of the Observation Audit is to assess current practice in processing members' requests and to recommend possible improvements to improve accuracy and effectiveness in processing these transactions.

The *scope* of the Observation Audit is to observe subject experts for a specific business process in order to measure and determine the performance and accuracy of an agreed upon number of transactions.

In fiscal year 2016-2017, the QA Auditors observed the business processes for the purchase of County Temporary Time and for the Redeposit of withdrawn contributions.

The accuracy rate improved for both processes as shown in Tables 7 and 8.

**Production Accuracy following Observation Audit FY 2016-2017**

<b>Temporary Time</b>		
<b>FY 2015-2016</b>	<b>FY 2016-2017</b>	<b>Increase / Decrease</b>
97.74%	97.98%	+ 0.24%

TABLE 7

<b>Redeposit</b>		
<b>FY 2015-2016</b>	<b>FY 2016-2017</b>	<b>Increase / Decrease</b>
95.00%	95.99%	+ 0.99%

TABLE 8

## Improvement Opportunities

The overall accuracy and performance of the business processes exceeds the set level of accuracy of 95%. There are several improvement opportunities for the business processes derived from observations in the Inline Audit, Classic Audit, and CORE Training Audit. Table 9 lists the categories of opportunities to improve:

Category	Improvement Opportunity
<p><b>Account Documentation in Workspace</b></p>	<ul style="list-style-type: none"> <li>a. Document full timelines of all periods of employment: previous County membership, TT, reciprocal / OPA / military / federal employment, OWPT, even if they are not purchased. This will document any overlap and help determine purchase eligibility and the appropriate calculation method to use for purchase costs.</li> <li>b. There is a checklist used for contract set up, but not when contracts are mailed out to the members. This would be a useful aid for specialists.</li> <li>c. Recommend using Benefits Documentation template to streamline and standardize complete account comments.</li> <li>d. When supervisor/manager decisions are made regarding verification, eligibility or calculation on contracts, be sure to note who made the decisions. Also, document whether decision is based on procedures, Wiki entries or if the Legal or Executive Offices were involved.</li> </ul>
<p><b>Member Retirement Account Analysis</b></p>	<ul style="list-style-type: none"> <li>a. Do not assume the information in Workspace is correct. Utilize and compare all resources available for account research: CWTAPPS, eHR, payroll, etc.</li> <li>b. PRE-CONVERSION: In addition to verifying if contributions were paid, the sub-items should also be verified. For example, staff can verify on CERS that contributions were made for every month, but if contributions were for a less than full-time item, the service credit would need to be adjusted accordingly. It is common to see accounts where service was assumed to be full-time at conversion, resulting in overstated service credit.</li> <li>c. Pay attention to the most recent name changes or beneficiary changes from a spouse to children/parents to "Other." Such changes may signal that a dissolution of marriage document is required.</li> <li>d. Provide additional training (more than 1 week) on how to identify, understand and interpret microfiche data to determine the correct monthly pensionable item breakdown and allocation.</li> <li>e. Service credit was not verified due to these issues: <ul style="list-style-type: none"> <li>▪ Fiche prior to 3/31/90 were not tagged and reviewed;</li> <li>▪ Missing service on Workspace was not reviewed;</li> <li>▪ An account with a Prospective Plan Transfer, the service credit for each plan was not confirmed.</li> </ul> </li> </ul>

[ continued on next page ]

TABLE 9

Category	Improvement Opportunity
<p><b>Member Retirement Account Analysis</b></p>	<p>f. Research supplemental warrants. They could potentially impact service credit for Plan E members, or detect underpaid contributions for contributory members.</p>
<p><b>Retirement Agenda Validation</b></p>	<p>a. For members with a PERS merger, make sure that the PERS indicator (2%, 3%) has been added to Workspace. A missing PERS indicator may result in an understated retirement benefit.</p> <p>b. Verify that FAC used to generate an official estimate is the same as the FAC from the FAC worksheet. Analyze any differences and complete necessary adjustments prior to submitting the official estimate to be mailed to the member.</p> <p>c. For FACs that include pre-conversion months, verify the RCEAs on Workspace against the RCEAs on payroll.</p> <p>d. Review the eligible guidelines for Plan E LTD salary adjustment. Properly adjust the salaries, if needed.</p> <p>e. Outgoing reciprocal members: If member is not vested based on LACERA's service credit alone, do not place member on the Agenda until further verification is received from the reciprocal agency.</p> <p>f. When processing retirement estimates for members who are currently AWOP, override the service credit so that the estimated benefit amount will not be overstated.</p> <p>g. If member has a double/dual account and is not eligible to retire under all plans on the elected retirement date, make sure that member is aware of it and clearly document this notification in Workspace.</p> <p>h. An Option 2,3, or 4 retirement election requires a validation of the beneficiary(ies)'s date of birth. However, retirement benefits will be paid even if the beneficiary's date of birth is not validated. Be alert to potential over-/under-statement of retirement benefit. Flag account for follow-up as soon as valid documentation is received.</p> <p>i. Certain optional retirement options require that additional verifications be in member's file, such as marriage certificates and beneficiary's birth certificate(s). If not in file, send letter(s) to request from member.</p> <p>j. When documenting inflations, do not solely rely on the Salary History "Pensionable Buy-Backs" screen. It might not contain all buybacks, such as the Elective Leave buyback. Review the actual payroll.</p>

[ continued on next page ]

TABLE 9

Category	Improvement Opportunity
<p><b>Calculation Best Practices</b></p>	<p><b>OPA &amp; Mil/Fed</b></p> <p>a. If there is no marital status /ERD, call the member instead of sending a rejection letter. This avoids unnecessary delays and provides excellent customer service.</p> <p><b>Present Value (PV) Calculations</b></p> <p>a. Review all documents and comments in Workspace to verify there are no discrepancies (marital status, estimated retirement date).</p> <p><b>Reciprocity: Confirmation and Verification of Salaries</b></p> <p>a. Reciprocal Salary Confirmation and Verification letters are mailed without a retirement date. Ensure that the retirement date has been entered into the Reciprocal record <i>prior to</i> requesting the Reciprocal Salary letters.</p> <p>b. PV CALCS FOR OUTGOING RECIPROCAL MEMBERS: Use the most recent salary from the last agency. Do not calculate purchase cost until we receive this information from the reciprocal agency.</p> <p><b>Redeposit</b></p> <p>a. Ensure you are using the correct termination date and the date range on the cost letter for all redeposit cases.</p> <p>b. Within the redeposit period, verify and analyze missing service credit, contributions and salary where ‘actual earnings’ is greater than ‘scheduled earnings.’</p> <p>c. Document-missing periods of service credit with the date range on the cost letter.</p> <p>d. For plan change cases from PEPRA to Legacy, include AB340 where applicable.</p> <p>e. Identify and include “back contributions” that a member paid or should have previously paid when calculating the plan change.</p> <p>f. As part of case analysis, check the RCEA salary at termination and first few months of employment for “late enrollment” and other pensionable earnings that were not included in “scheduled earnings.”</p> <p><b>Retro-Earnings</b></p> <p>a. Differentiate between retro earnings due to salary adjustments versus time card adjustments.</p> <p><b>SWOP</b></p> <p>a. SWOP contracts: check whether Actual earnings are greater than Scheduled earnings. If member received retro-pay for those months on a later accrual period, the contracts should be for “Back Contributions” (mandatory purchase) instead of for SWOP (optional purchase).</p>

[ continued on next page ]

TABLE 9

Category	Improvement Opportunity
<p><b>Calculation Best Practices</b></p>	<p><b>Supervisor/Management Decisions</b></p> <p>a. When supervisor/manager decisions are made regarding verification, eligibility or calculation on contracts, be sure to note who made the decisions. Also, document whether decision is based on procedures, Wiki entries or if the Legal or Executive Offices were involved.</p>
<p><b>Cost Notification Letter and Payment Contracts</b></p>	<p>a. Before mailing the cost letter:</p> <ul style="list-style-type: none"> <li>▪ If copying and pasting data from Workspace, review member's address against any correspondence in member's file to ensure the member's name and address is correct and free from typing errors and other discrepancies.</li> <li>▪ Double check for typos and formatting errors prior to sending to member</li> <li>▪ Send an Address Change letter, if needed.</li> </ul>

TABLE 9

## Conclusions

The Quality Assurance & Metrics Division is committed to improving benefits related processes through continuous monitoring, assessments, and evaluations. We incorporate data from the three (3) audits to design and develop custom training to address areas in which more experience and knowledge would prove to be effective in improving individual and overall accuracy.

The Quality Assurance & Metrics Division is also committed to ensuring business processes are in compliance with retirement law and LACERA's best practices. To fulfill this commitment, we communicate exceptions using the following five (5) attributes:

1. Criteria
2. Condition
3. Cause
4. Effect(s) / Consequence(s)
5. Recommendation

The exceptions are communicated in real-time so that the request is processed accurately and in a timely manner before reaching the member. As required by LACERA, all exceptions are corrected prior to completion of the request and prior to implementation in Workspace.

Our contribution to LACERA's quality eco-system is on an ongoing basis and includes activities such as root cause analysis, trend analysis, process review, observation audits, production analysis, Inline exception reconciliation, and custom designed training. To further our contribution to the quality eco-system, Quality Assurance will consult with LACERA's Systems Division to explore their perspective(s) on what area(s) of benefits-related processes should be audited and monitored to ensure compliance and alignment with LACERA's best practices. We are hopeful that these efforts will lead to additional increases in accuracy with the ultimate goal being 100% accuracy.



**Table A – Comparative Accuracy Rates from Fiscal Years ending 2013-2017**

Process	2017	2016	2015	2014	2013	% Increase (-Decrease)			
						2016-17	2015-16	2014-15	2013-14
*30 Year Cancellation	0.00%	0.00%	0.00%	99.37%	96.27%	-	-	-	3.10%
~Account Verification	0.00%	0.00%	95.98%	91.52%	91.96%	-	-	4.46%	-0.44%
*Death	0.00%	90.00%	99.10%	98.98%	100.00%	0.00%	-9.10%	1.20%	-1.02%
~Correspondence	0.00%	0.00%	95.14%	97.17%	97.75%	-	-	-2.03%	-0.58%
<b>Data Input:</b>									
§ a) Address Change	0.00%	0.00%	100.00%	95.12%	97.73%	-	-	4.88%	-2.61%
b) Beneficiary Change	96.29%	96.13%	97.54%	95.36%	96.27%	0.16%	-1.41%	2.18%	-0.91%
c) Direct Deposit	99.37%	100.00%	100.00%	100.00%	99.21%	-0.63%	0.00%	0.00%	0.79%
d) Federal / State Tax	99.38%	99.05%	100.00%	100.00%	96.18%	0.33%	-0.95%	0.00%	3.82%
§ e) Name Change	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-
~Disability Retirement Agenda	0.00%	0.00%	97.22%	97.11%	97.18%	-	-	0.11%	-0.07%
<b>Fund Disbursement:</b>									
~ a) Refund	0.00%	0.00%	100.00%	100.00%	100.00%	-	-	0.00%	0.00%
~ b) Withdrawal	0.00%	0.00%	100.00%	100.00%	99.95%	-	-	0.00%	0.05%
New Enrollment	0.00%	0.00%	99.56%	99.52%	98.73%	-	-	0.04%	0.79%
~Plan Transfer	97.76%	92.62%	96.68%	93.26%	93.39%	5.14%	-4.06%	3.42%	-0.13%
<b>Previous Service</b>									
† a) ARC	0.00%	0.00%	100.00%	97.85%	98.66%	-	-	2.15%	-0.81%
b) General to Safety	95.76%	95.00%	100.00%	91.55%	95.06%	0.76%	-5.00%	8.45%	-3.51%
c) Military / Federal Time	97.00%	99.38%	99.15%	97.08%	97.37%	-2.38%	0.23%	2.07%	-0.29%
d) OPA	95.80%	97.65%	98.85%	96.86%	98.00%	-1.85%	-1.20%	1.99%	-1.14%
e) Redeposit	95.99%	95.00%	95.50%	94.60%	93.77%	0.99%	-0.50%	0.90%	0.83%
f) SWOP	95.18%	97.89%	99.62%	96.41%	97.89%	-2.71%	-1.73%	3.21%	-1.48%
g) Temporary Time	97.98%	97.74%	98.77%	96.78%	97.67%	0.24%	-1.03%	1.99%	-0.89%
<b>Purchase Contracts</b>									
~ a) Contract Rollover	0.00%	0.00%	100.00%	99.47%	100.00%	-	-	0.53%	-0.53%
~ b) Contract Setup	0.00%	0.00%	99.19%	99.02%	99.23%	-	-	0.17%	-0.21%
*Reciprocity	0.00%	0.00%	98.20%	94.77%	95.84%	-	-	3.43%	-1.07%
*Termination Letters	0.00%	0.00%	98.44%	93.64%	91.94%	-	-	4.80%	1.70%
~First Retirement Payment	0.00%	0.00%	97.53%	97.26%	93.10%	-	-	0.27%	4.16%
Service Retirement Agenda	96.20%	95.58%	96.63%	96.14%	95.45%	0.62%	-1.05%	0.49%	0.69%
Retirement Estimate (new this FY)	99.01%	0.00%	0.00%	0.00%	0.00%	-	-	-	-
<b>AVERAGE</b>	<b>97.14%</b>	<b>97.27%</b>	<b>96.73%</b>	<b>97.62%</b>	<b>97.14%</b>	<b>0.54%</b>	<b>-1.29%</b>	<b>0.54%</b>	<b>-0.89%</b>

\* These processes are now InLine Audit ~ Re-start audit in 2017 § Member self-serve option † Audit ended 12/31/2012

**Table B –Number of Samples from Fiscal Years ending 2013-2017**

Process	2017	2016	2015	2014	2013	# Increase (-Decrease)			
						2016-17	2015-16	2014-15	2013-14
*30 Year Cancellation	0	0	0	84	104	-	-	-	-20
~Account Verification	0	0	54	108	80	-	-	-54	28
*Death	0	1	115	252	96	0	-114	-137	156
~Correspondence	0	0	61	129	108	-	-	-68	21
<b>Data Input:</b>									
§ a) Address Change	0	0	20	26	34	-	-	-6	-8
b) Beneficiary Change	329	281	16	61	93	64	265	-45	-32
c) Direct Deposit	360	105	75	76	107	255	30	-1	-31
d) Federal / State Tax	360	105	50	108	142	255	55	-58	-34
§ e) Name Change	0	0	0	0	0	-	0	-	-
~Disability Retirement Agenda	0	0	4	61	68	-	0	-57	-7
<b>Fund Disbursement:</b>									
~ a) Refund	0	0	30	78	81	-	0	-48	-3
~ b) Withdrawal	0	0	68	182	141	-	0	-114	41
New Enrollment	0	0	61	151	164	-	0	-90	-13
~Plan Transfer	103	39	110	174	116	64	-71	-64	58
<b>Previous Service</b>									
† a) ARC	0	0	1	71	6,353	-	0	-70	-6282
b) General to Safety	39	9	16	79	42	29	-7	-63	37
c) Military / Federal Time	80	35	75	195	122	45	-40	-120	73
d) OPA	120	25	132	413	177	95	-107	-281	236
e) Redeposit	41	10	58	242	62	31	-48	-184	180
f) SWOP	221	72	112	485	194	149	-40	-373	291
g) Temporary Time	621	202	428	1,654	675	19	-226	-1226	979
<b>Purchase Contracts</b>									
~ a) Contract Rollover	0	0	35	85	80	-	0	-50	5
~ b) Contract Setup	0	0	209	758	601	-	0	-549	157
*Reciprocity	0	0	107	255	184	-	0	-148	71
*Termination Letters	0	0	42	137	163	-	0	-95	-26
~First Retirement Payment	0	0	69	210	127	-	0	-141	83
Service Retirement Agenda	3,110	2,839	2,792	2,820	2,777	271	47	-28	43
Retirement Estimate (new this FY)	133	0	0	0	0	133	-	-	-
<b>TOTAL</b>	<b>5,517</b>	<b>3,723</b>	<b>4,740</b>	<b>8,894</b>	<b>12,891</b>	<b>1,410</b>	<b>-256</b>	<b>-4,070</b>	<b>-3,997</b>

\* These processes are now InLine Audit ~ Re-start audit in 2017 § Member self-serve option † Audit ended 12/31/2012



**Table C – Number of Exceptions from Fiscal Years ending 2013-2017**

Process	2017	2016	2015	2014	2013	# Increase (-Decrease)			
						2016-17	2015-16	2014-15	2013-14
*30 Year Cancellation	0	0	0	6	17	-	-	-	-11
~Account Verification	0	0	4	22	14	-	-	-18	8
*Death	0	1	2	12	0	-1	-1	-10	-
~Correspondence	0	0	8	14	12	-	-	-6	2
<b>Data Input:</b>									
§ a) Address Change	0	0	1	2	6	-	-	-1	-4
b) Beneficiary Change	31	24	1	6	8	7	23	-5	-2
c) Direct Deposit	3	0	0	0	1	3	-	-	-
d) Federal / State Tax	5	2	1	2	7	3	1	-1	-5
§ e) Name Change	0	0	0	0	0	-	-	-	-
~Disability Retirement Agenda	0	0	2	20	19	-	-	-18	1
<b>Fund Disbursement:</b>									
~ a) Refund	0	0	2	1	1	-	-	1	0
~ b) Withdrawal	0	0	0	3	3	-	-	-	0
New Enrollment	0	0	2	17	15	-	-	-15	2
~Plan Transfer	14	6	21	45	30	8	-15	-24	15
<b>Previous Service</b>									
† a) ARC	0	0	0	3	489	-	-	-	-486
b) General to Safety	8	5	0	22	13	3	-	-	9
c) Military / Federal Time	14	8	7	41	33	6	1	-34	8
d) OPA	22	6	10	106	29	16	-4	-96	77
e) Redeposit	12	2	13	68	28	8	-11	-55	40
f) SWOP	33	5	4	81	51	28	1	-77	30
g) Temporary Time	78	36	18	393	148	42	18	-385	245
<b>Purchase Contracts</b>									
~ a) Contract Rollover	0	0	1	5	1	-	-	-4	4
~ b) Contract Setup	0	0	12	61	23	-	-	-49	38
*Reciprocity	0	0	15	50	29	-	-	-35	21
*Termination Letters	0	0	2	37	48	-	-	-35	-11
~First Retirement Payment	0	0	6	18	16	-	-	-12	2
Service Retirement Agenda	989	1,037	862	947	820	-48	175	-85	127
Retirement Estimate (new this FY)	5	-	-	-	-	-	0	0	0
<b>TOTAL</b>	<b>1,214</b>	<b>1,132</b>	<b>994</b>	<b>1,982</b>	<b>1,861</b>	<b>75</b>	<b>188</b>	<b>-964</b>	<b>110</b>

\* These processes are now InLine Audit    ~ Re-start audit in 2017    § Member self-serve option    † Audit ended 12/31/2012

## Appendix A – Management Statement and Action Plan

LACERA has adopted a comprehensive strategy to create lasting improvements in the quality of service provided to our members. Dubbed the "Quality Ecosystem," it involves:

- Recruitment efforts focused on bringing in candidates with strong analytical and communication skills, as well as work habits consistent with LACERA's values.
- Comprehensive Core Benefits Training conducted by Quality Assurance for new hires.
- Annual assignment rotations enabled by extensive cross-training of Core Benefits teams and modular refresher training. This approach has increased LACERA's adaptability and responsiveness to our member's needs.
- Inline Auditing conducted before work reaches LACERA's members, thereby increasing the quality of the final product. This complements the classic audits, forming a comprehensive audit approach.
- A New Process Management approach for documenting, coordinating, and improving Benefit Processes, spearheaded by the new Process Management Group in the Benefits Division.

The Benefits Division acknowledges the challenges involved in aggressively pursuing these comprehensive quality strategies. For example, individual quality may lag when staff are first introduced to unfamiliar training and procedures. Even so, LACERA has successfully enhanced the quality of service we deliver to our members, even in this dynamic and ever-changing environment, largely due to the support of Quality Assurance and the other quality partners who "watch our backs" every day.

The Benefits Division counts on Quality Assurance's constructive feedback and will implement Quality Assurance's recommendations as fully and as closely as possible. With that said, all Benefits Staff are reminded that our Quality Ecosystem can reach its full potential only when strong teamwork is matched by each individual's dedication to giving their personal best for our members.

## Appendix B – Audit Methodology for Classic Audit

### *How is QA’s Classic Audit conducted?*

The Quality Assurance and Metrics Division performs monthly audits of completed transactions per staff and per process for the Claims Processing and Member Services Divisions in order to identify areas of improvement. The processes to be audited were determined in agreement with the respective divisions according to the level of risk assessed prior to conducting the audit. Each process was then broken down into several agreed upon audit criteria (approved and accepted by the Claims Processing and Member Services divisions) as shown in Appendix A. For example, the Previous Service process has the following criteria, risk levels and weight of each criterion.

<b>Criteria</b>	<b>Risk</b>	<b>Weight</b>
Eligibility	HIGH	35%
Calculations	HIGH	35%
Salary (if applicable)	AVERAGE	15%
Retirement Contribution Rate	AVERAGE	5%
Estimated Retirement Date (if applicable)	AVERAGE	5%
1-page cost estimate letter/ Cost Letters/ Documents scanned	AVERAGE	5%

Audit criteria are the check points used by QA staff in auditing each sample or transaction. “Pass”, “Fail”, and “N/A” marks on these audit criteria or check points determine the accuracy rate per staff, per process, and per division.

The number of samples to be checked monthly for each process is determined by using non-statistical sampling and random selection of the number of completed work objects completed by each staff. The number of completed work objects for each staff per process is extracted from the workflow reports. A percentage of the completed work objects per staff is sampled. QA ensures that if a staff member completed only one transaction for a process for the month, that transaction is audited.

### *How are audit exceptions handled?*

QA’s audit exceptions arise from deviations from the agreed upon criteria. For example, a sample of a completed transaction under the Previous Service process is reviewed and QA staff finds that the calculation of contract cost was erroneous, QA staff marks the “Calculation” criteria with a “Fail.” This results in an exception.

Exceptions are coded and categorized according to the impact they have on the organization. An exception recorded for a sample is categorized as shown in the following table.

Exception Code / Category	Description
C	<b>Critical Exception.</b> These exceptions have financial impact on the organization and affect staff's accuracy rate and the overall accuracy rate of the process. For example, incorrect calculation of cost letters sent to members.
G	<b>General Exception.</b> These exceptions have no financial impact on the organization. They affect staff's accuracy rate and the overall accuracy rate of the process. For example, confirmation letters not scanned in the MDL or comments not written in the Workspace Comments screen after completing the processing of a transaction.
O	<b>Other Exception.</b> These exceptions are those that are beyond the scope of a specific process' criteria or exceptions that are directed to other staff who are not the staff indicated in the sample. The errors were not caused by the staff in the audit focus and therefore have no effect on staff's accuracy rate and the overall accuracy rate of the process. The purpose of "Other Exceptions" is to communicate to the divisions that a corrective action is required.
X	<b>Immediate Action Exception.</b> Other findings that require immediate action.

#### CORRECTIVE ACTION

All exceptions are communicated to the divisions in real-time and are distributed to supervisors and staff for immediate corrective actions. After the divisions have corrected the exceptions, these are then returned to QA for another review. QA reviews the responses to the exceptions and marks each exception as one of the following:

- A** = Accepted (exception was resolved)
- CR** = 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 exceptions with "CRs" are considered outstanding exceptions that are regularly monitored until the exception is resolved. After the exception is resolved, the member's request can be completed.

**How are accuracy rates calculated?**

As mentioned earlier, each sample is checked against the agreed upon criteria or check points.

EXAMPLE: in the audit month, the total of completed work objects for the Previous Service process is three. Because there are only three completed work objects, QA would sample 100% of the completed work objects. Workflow shows that Specialist A completed two of these work objects while Specialist B completed one and the table below shows the results of the audit review.

	Eligibility	Calculations	Salary	Retirement Contribution	Estimated Retirement Date	Cost letter / Documents scanned	
	35%	35%	15%	5%	5%	5%	= 100%
	7	7	3	1	1	1	= 20
Sample 1 (Specialist A)	Pass	Fail	Fail	Pass	Pass	Pass	
Sample 2 (Specialist A)	Pass	Pass	Pass	Pass	Pass	Fail	
Sample 3 (Specialist B)	Pass	Fail	N/A	N/A	N/A	Pass	

To be able to calculate the accuracy rate, we know that Previous Service has 6 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 Previous Service 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).

	Eligibility	Calculations	Salary	Retirement Contribution	Estimated Retirement Date	Cost letter / Documents scanned	
	35%	35%	15%	5%	5%	5%	= 100%
	7	7	3	1	1	1	= 20 value
Sample 1 (Specialist A)	Pass	Fail	Fail	Pass	Pass	Pass	10/20 = (50%)
Sample 2 (Specialist A)	Pass	Pass	Pass	Pass	Pass	Fail	19/20 = (95%)
Accuracy by individual criterion	14/14 = 100%	7/14 = 50%	3/6 = 50%	2/2 = 100%	2/2 = 100%	1/2 = 50%	[ 29/40 = total accuracy rating ]

Specialist A's accuracy rate is then calculated using the data for all the samples. The overall accuracy rate for Previous Service would be calculated as follows:

1. the total value of the criteria with the "Pass" mark (Sample 1, value 10 + Sample 2, value 19 = 29 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 72.50% overall accuracy rate on the two previous service 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 2<sup>nd</sup> line of grid: total value of pertinent criteria = 15 out of 20 since 5 are not applicable to Sample 3.
  - See 3<sup>rd</sup> line (audit analysis of sample) where N/A status is indicated under each inapplicable criterion.
3. which is equal to a 53.33% accuracy rate on the previous service transaction completed by Specialist B

	Eligibility	Calculations	Salary	Retirement Contribution	Estimated Retirement Date	Cost letter / Documents scanned	
	35%	35%	15%	5%	5%	5%	= 100%
	7	7	3	1	1	1	= 20 value
Sample 3 (Specialist B)	Pass	Fail	N/A	N/A	N/A	Pass	8/15 = (53%)
Accuracy by individual criterion	7/7 = 100%	0/7 = 0%				1/1 = 100%	[ 8/15 = total accuracy rating ]

## OVERALL ACCURACY RATE FOR BUSINESS PROCESS

The overall accuracy rate for the Previous Service process is then calculated using the data for all the samples. The overall accuracy rate for Previous Service calculated as follows:

1. the total value of the criteria with a “Pass” mark (for all 3 samples: bottom line: total accuracy value = 37)
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 67.27% for the previous service business process.

	Eligibility	Calculations	Salary	Retirement Contribution	Estimated Retirement Date	Cost letter / Documents scanned	
	35%	35%	15%	5%	5%	5%	= 100%
	7	7	3	1	1	1	= 20 value
Sample 1 (Specialist A)	Pass	Fail	Fail	Pass	Pass	Pass	10/20 = (50%)
Sample 2 (Specialist A)	Pass	Pass	Pass	Pass	Pass	Fail	19/20 = (95%)
Sample 3 (Specialist B)	Pass	Fail	N/A	N/A	N/A	Pass	8/15 = (53%)
Accuracy by individual criterion	21/21 = 100%	14/21 = 70%	3/6 = 50%	2/2 = 100%	2/2 = 100%	2/3 = 66.67%	[ 37/55 = total accuracy rating ]

## **Appendix C – Observation Audit**

### **Quality Assurance Observation Audit Program**

#### **Objective**

To establish the level of consistency and understanding of the business processes and ensure specialists can access the tools and resources necessary to accurately perform calculations while identifying areas for improvement.

#### **The Audit Plan**

The audit plan is to observe specialists in their work environment performing tasks such as the calculation of retirement benefits and enhancements. The audit will also cover the ability to navigate through the system for account analysis and the specialist's ability to access the various knowledge resources.

The observation audit will be conducted in July and December every year. The focus of the audit will be determined by the results of the Findings Analysis which identifies trends and areas for improvement in the various business processes.

Management will be notified one week prior to the start of the audit (last week of June and last week of November). Quality Assurance will then send the audit schedule to management with the selected business processes for audit, the timeframe the audit will be conducted, with the auditor's names.

#### **Method of Review**

The auditors will discuss the following topics with the specialist and identify any areas for improvement during the review meeting. The first will be Generic which is related to Policies and Procedures. The second will be Business Unit Specific which is related to the specific work instructions of that particular unit. The third will be Documentation Gaps which is related to any gaps in documentation that are discovered during the review meeting.

#### **Closing the Loop**

The results of the audit will be compiled in a separate audit report and will not be reflected in Quality Assurance's Annual Audit Report. If there are significant findings, they may be referenced in the report to develop a future action plan for correction. The goal of the audit is process improvement. To achieve this improvement the auditor must thoroughly investigate the issue and ensure that it is communicated effectively to the auditee. To close the loop on the audit the auditee must clearly understand the corrective action process and the auditor's role in that process.



The findings will be graded based on the following scale with the suggested recommendation.

Grade	Description	Recommendation
<b>Material</b>	<ul style="list-style-type: none"> <li>• Material violations of policies, procedures or laws</li> <li>• Unacceptable level of internal controls</li> <li>• High risk for fraud/waste/abuse, fraud is not subject to dollar limitations</li> <li>• Major opportunity to improve effectiveness and efficiency</li> <li>• Material risk identified</li> </ul>	<ul style="list-style-type: none"> <li>• Findings should be addressed immediately and action plans developed to rectify the issue.</li> </ul>
<b>Significant</b>	<ul style="list-style-type: none"> <li>• Significant violation of policies or procedures</li> <li>• Weak internal controls</li> <li>• Significant opportunity to improve effectiveness and efficiency</li> <li>• Material risk identified</li> </ul>	<ul style="list-style-type: none"> <li>• Action plans to address issue should commence within a reasonable timeframe and completed within a reasonable timeframe</li> </ul>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• Nominal or minor violation of policies, procedures, rules or regulations</li> <li>• Minor opportunity to improve effectiveness and efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Items not detailed within the QA Annual Report</li> <li>• Remain tracked within Audit database.</li> <li>• No action plans or response required from management.</li> </ul>

### Audit Follow-up

Quality Assurance will follow-up with management in regards to observations and action plans that were a result of the audit to ensure appropriate corrective action is being implemented. This will take place prior to the start of the next scheduled observation audit.

## Quality Assurance Observation Review Form – for Specialist’s Assessment

Business Process:	QA Report No:	Auditor(s):
Location:	Date:	

<b>The objectives of the quality assurance review are:</b>	
1	To establish the level of consistency and understanding of the business processes.
2	To ensure specialists can access the tools and resources necessary to accurately perform research and calculations.
3	Identify areas for improvement.
<b>Method of review:</b>	
<i>The auditors will discuss the following review topics with you and identify any areas for improvement during the review meeting:</i>	
<p><b>Generic</b> – list appropriate Policies and Procedures  <b>Business Unit Specific</b> – list appropriate business unit Work Instructions  <b>Documentation Gaps</b> – list any obvious documentation gaps found during your research</p>	

<b>EMPLOYEE NUMBER:</b>	
<b>Observations</b> (Specialists must demonstrate the following)	<b>D or ND</b>
Access Business Procedure(s)	
Access Excel Worksheet related to the process	
Access Knowledge Resources –Wiki, Kbase, MSOI	
Access Payroll Records – eHR, OAS, Payroll Sequence, CERS	
Access Audit Resolution Database	
Access Policy Updates	
Access Audit Criteria	
Appropriate Adherence to LACERA’S Privacy Policy	

<b>Questions</b>
Are the procedures easy to find in the system?
When you cannot find the answer in the procedures, work instructions, policy updates, or knowledge resources, what do you do?

What is your comfort level in referencing the law book to find answers?			
<table border="0"> <tr> <td>Very comfortable comfortable</td> <td>Somewhat comfortable</td> <td>Not very</td> </tr> </table>	Very comfortable comfortable	Somewhat comfortable	Not very
Very comfortable comfortable	Somewhat comfortable	Not very	
How are you informed of the Policy Updates? Is there training provided?			
Are your work instructions clear and defined?			
How do you ensure accuracy in your work products?			
Do you understand more of the process and what to look for going forward after receiving an audit finding?			
What would you do to improve this process?			
Do you think there are enough examples in the procedure?			
Are your work instructions aligned with policies and procedures?			
When was the last time you were assigned this process?			

## **Appendix D – The Five Attributes of an Audit Finding**

Audit observations/findings are built on five components\*; Quality Assurance & Metrics communicates real-time findings to the auditee using the following five components:

### **Criteria**

The criteria present the standards, measures, or expectations against which the conditions are tested. Criteria may include both internal and external requirements.

### **Conditions**

The conditions consist of the situation that you found, supported by evidence and characterized by facts, measurements, examples, and other specific types of information.

### **Causes**

The causes are the reasons that the conditions do not meet the criteria. As such, the causes usually do not contain quantifiable facts and measurements; instead, the causes usually identify the action or activity – or the lack of action or activity – that led to the tangible conditions.

### **Effects / Consequences**

The effects are the actual or potential risks or exposures that the organization faces if the causes and the conditions continue. Thus, the description of the effects enables the reader to see the relative importance of the continued conditions.

### **Recommendations and Corrective Action Plan**

Three types of recommendations or action plans are appropriate for quality auditing.

1. Caused-focused recommendations or action plans tells what needs to be done – or will be done – to address the source of the conditions and thus to prevent the future conditions.
2. Corrective recommendations or action plans narrowly address present conditions and describe one-time fixes.
3. Recovery recommendations or action plans address past errors that need to be corrected.

\*Practice Advisory 2410-1: Communication Criteria, IIA: Institute of Internal Auditors

# QUALITY ASSURANCE & METRICS

Annual Audit Reports: Quality Audit Program FY 2016-2017

# AGENDA

- FY 2015 – 2016 Snapshot Report
- FY 2016 – 2017 Inline Audit and Classic Audit
- FY 2016 – 2017 Continuous Improvement Efforts
- FY 2016 – 2017 Enhancements to the Quality Assurance CORE Benefit Training (QACBT)

# FY 2015 -2016 SNAPSHOT REPORT

## Inline Audit

- Sampled 4,305 Transactions
- Accuracy rate 97.2%
- 446 Exceptions

## Classic Audit

- Sampled 3,723 Transactions
- Accuracy rate 96%
- 1,132 Exceptions

# FY 2016 – 2017 INLINE AUDIT AND CLASSIC AUDIT

## Inline Audit

- Sampled 3,641 Transactions
- Accuracy rate 98.2% (+1.03%)
- 324 Exceptions



# FY 2016 – 2017 INLINE AUDIT AND CLASSIC AUDIT

## Classic Audit

- Sampled 5,516 Transactions
- Accuracy rate of 97.1% (-0.13%)
- 1,214 Exceptions

# FY 2016 – 2017 SUCCESS STORIES

Increase in Accuracy for the following processes:

Beneficiary Change

Fed & State Tax Election

Plan Transfer

General to Safety

Service Retirement Agenda

Redeposit

Temporary Time

# FY 2016 – 2017 SUCCESS STORIES

## Continuous Improvement Efforts

- Root Cause Analysis on Pre-conversion Service Credit
  - Developed an Account Analysis Training Module
    - Permanent part of the QA CORE Benefit Training Program
    - Currently enhancing for Account Certification

Clean Data reduces Overpayment of benefits

# FY 2016 – 2017 INLINE AUDIT AND CLASSIC AUDIT - SUCCESS STORIES

- Observation Audit
  - Temporary Time Process (+.24%)
  - Redeposit Process (+.99%)

Temporary Time Process		Redeposit Process	
FY 15-16	FY 16-17	FY 15-16	FY 16-17
97.74%	97.98%	95.00%	95.99%

# FY 2016 – 2017 ENHANCEMENTS TO THE QACBT

- Developed and Implemented an Account Analysis Module
- Post-Production Test
- Post-Production Evaluation of Assignments
- Production Metric Study
- Post Training Evaluation

# QUALITY ASSURANCE & METRICS



# QUALITY ASSURANCE & METRICS

Questions?