

AGENDA

A REGULAR MEETING OF THE AUDIT COMMITTEE

AND/OR BOARD OF RETIREMENT AND/OR BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

8:00 A.M., WEDNESDAY, MARCH 4, 2020

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

AUDIT COMMITTEE MEMBERS

Vivian H. Gray
David Green
Keith Knox
Gina V. Sanchez
Herman B. Santos

AUDIT COMMITTEE CONSULTANT

Rick Wentzel

I. CALL TO ORDER

II. ELECTION OF AUDIT COMMITTEE CHAIR, VICE CHAIR, AND SECRETARY FOR CALENDAR YEAR 2020

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Audit Committee Meeting of
August 7, 2019

B. Approval of the Minutes of the Regular Audit Committee Meeting of
December 5, 2019

IV. PUBLIC COMMENT

V. NON-CONSENT ITEMS

- A. Recommendation, as submitted by Richard Bendall, Chief Audit Executive: That the Audit Committee review the 2020 meeting calendar and schedule Audit Committee Meetings for June, August, October, and December of 2020. (Memo dated February 20, 2020)
- B. Recommendation, as submitted by Richard Bendall, Chief Audit Executive: That the Audit Committee review and approve the FYE 2020 Internal Audit Plan Amendments. (Memo dated February 20, 2020)
- C. Recommendation, as submitted by Richard Bendall, Chief Audit Executive and Summy Voong, Senior Internal Auditor: That the Audit Committee review and discuss the Benefits' Exception Report Audit and provide the following action(s):
 - 1. accept and file report and/or,
 - 2. instruct staff to forward report to Boards or Committees and/or,
 - 3. provide further instruction to staff.
(Memo dated February 20, 2020)
- D. Recommendation, as submitted by Richard Bendall, Chief Audit Executive and Kristina Sun, Senior Internal Auditor: That the Audit Committee review and discuss the Timekeeping Audit and provide the following action(s):
 - 1. accept and file report and/or,
 - 2. instruct staff to forward report to Boards or Committees and/or,
 - 3. provide further instruction to staff.
(Memo dated February 20, 2020)

VI. REPORTS

- A. Internal Audit Risk Assessment Process
Richard Bendall, Chief Audit Executive
(Memo dated February 20, 2020)

March 4, 2020

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VI. REPORTS (Continued)

- B. Hotline Status Reporting
Richard Bendall, Chief Audit Executive
(Verbal Presentation)

- C. Status of Other External Audits Not Conducted at the Discretion of Internal Audit
Richard Bendall, Chief Audit Executive
(Verbal Presentation)

- D. Recommendation Follow-Up Report
Richard Bendall, Chief Audit Executive
(For Information Only) (Memo dated February 20, 2020)

- E. Real Estate Advisor Reviews
Richard Bendall, Chief Audit Executive
(For Information Only) (Memo dated February 20, 2020)

- F. Continuous Auditing Program (CAP)
Richard Bendall, Chief Audit Executive
(For Information Only) (Memo dated on February 20, 2020)

- G. **Attorney-Client Privilege/Confidential Memo**
Human Resources Compliance Audit [by Liebert Cassidy Whitmore]
Recommendation Follow-Up
Richard Bendall, Chief Audit Executive
(For Information Only) (Memo dated February 20, 2020)

VII. CONSULTANT COMMENTS

Rick Wentzel, Audit Committee Consultant
(Verbal Presentation)

VIII. GOOD OF THE ORDER (For Information Purposes Only)

IX. ADJOURNMENT

**The Board of Retirement and Board of Investments have adopted a policy permitting any member of the Boards to attend a standing committee meeting open to the public. In the event five (5) or more members of either the Board of Retirement and/or the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement and/or Board of Investments. Members of the Board of Retirement and Board of Investments 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. Except as set forth in the Committee's Charter, 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.*

Documents subject to public disclosure that relate to an agenda item for an open session of the Board and/or Committee that are distributed 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 members of any such Board and/or Committee at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101 during normal business hours [e.g., 8:00 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 extension 3327, from 8:00 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 SPECIAL MEETING OF THE AUDIT COMMITTEE OF THE
BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

8:00 A.M., WEDNESDAY, AUGUST 7, 2019

PRESENT: Gina V. Sanchez, Chair
Herman B. Santos, Secretary
Alan Bernstein
Shawn Kehoe

ABSENT: Ronald Okum
Les Robbins

STAFF, ADVISORS, PARTICIPANTS

Richard Bendall, Chief Audit Executive
Rick Wentzel, Audit Committee Consultant
Leisha Collins, Principal Internal Auditor
Christina Logan, Senior Internal Auditor
Gabriel Tafoya, Senior Internal Auditor

I. CALL TO ORDER

The meeting was called to order at 8:01 a.m., in the Board Room of Gateway Plaza.

August 7, 2019

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II. PUBLIC COMMENT

There were no requests from the public to speak.

III. REPORTS

A. Discussion of future audit work under the direction of the Audit Committee and status of prior audit recommendations.

The Committee had a discussion on outstanding audit recommendations.

IV. REPORT ON STAFF ACTION ITEMS

There was nothing to report.

V. GOOD OF THE ORDER
(For Information Purposes only)

VI. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 8:42 a.m.

MINUTES OF THE SPECIAL MEETING OF THE AUDIT COMMITTEE OF THE
BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

8:00 A.M., THURSDAY, DECEMBER 5, 2019

PRESENT: Gina V. Sanchez, Chair

ABSENT: Herman B. Santos, Secretary

Alan Bernstein

Shawn Kehoe

Ronald Okum

Les Robbins

STAFF, ADVISORS, PARTICIPANTS

Richard Bendall, Chief Audit Executive

Rick Wentzel, Audit Committee Consultant

Leisha Collins, Principal Internal Auditor

Summy Voong, Senior Internal Auditor

Kristina Sun, Senior Internal Auditor

I. CALL TO ORDER

The meeting was called to order at 8:02 a.m., in the Board Room of Gateway Plaza. Due to lack of a quorum, no action was taken during the Committee meeting.

II. PUBLIC COMMENT

There were no requests from the public to speak.

III. NON-CONSENT ITEMS

A. Recommendation as submitted by Richard Bendall, Chief Audit Executive and Summy Voong, Senior Internal Auditor: That the Audit Committee review and discuss the Benefits Exception Audit Report and provide the following action(s):

1. Accept and file report;
2. Instruct staff to forward report to Boards or Committees and/or,
3. Provide further instruction to staff. (Memo dated November 22, 2019)

Richard Bendall and Summy Voong were present to answer questions from the Committee.

This Agenda item was moved to the next Audit Committee Meeting.

B. Recommendation, as submitted by Richard Bendall, Chief Audit Executive and Kristina Sun, Senior Internal Auditor: That the Audit Committee review and discuss the Timekeeping Audit and provide the following action(s):

1. Accept and file report;
2. Instruct staff to forward report to Boards or Committees and/or,
3. Provide further instruction to staff. (Memo dated November 22, 2019)

Richard Bendall and Kristina Sun were present to answer questions from the Committee.

This Agenda item was moved to the next Audit Committee Meeting.

IV. REPORTS

- A. Plante Moran's Audit Results of the Fiscal Year End June 30, 2019
Michelle Watterworth, CPA Partner
Jean Young, CPA Partner

Michelle Watterworth and Jean Young were present and answered questions from the Committee.

The following agenda items were moved to the next Audit Committee Meeting.

- B. County Auditor-Controller's Report
Richard Bendall, Chief Audit Executive
(Memo dated November 27, 2019)
- C. Audit Plan Status Report
Richard Bendall, Chief Audit Executive
(Memo dated November 22, 2019)
- D. Recommendation Follow-Up Report
Richard Bendall, Chief Audit Executive
(Memo dated November 22, 2019)
- E. Discuss the Value of Ethical Cultural Audit
Richard Bendall, Chief Audit Executive
(Verbal Presentation)

Ms. Sanchez requested for staff to provide a RFP on the Ethical Cultural Audit for the next Audit Committee Meeting.

- F. Continuous Auditing Program (CAP)
Richard Bendall, Chief Audit Executive
(Updated on November 25, 2019)
- G. **Attorney-Client Privilege/Confidential Memo**
Privacy Audit Recommendation Follow-Up
Richard Bendall, Chief Audit Executive
(Memo dated November 25, 2019)
(For Information Only)

IV. REPORTS (Continued)

H. **Attorney-Client Privilege/Confidential Memo**

Human Resources Compliance Audit [by Liebert Cassidy Whitmore]
Recommendation Follow-Up
Richard Bendall, Chief Audit Executive
(Memo dated November 25, 2019)
(For Information Only)

I. Status of Other External Audits Not Conducted at the Discretion of Internal Audit

Richard Bendall, Chief Audit Executive
(For Information Only) (Discussion)

V. REPORT ON STAFF ACTION ITEMS

There was nothing to report.

VI. GOOD OF THE ORDER

(For Information Purposes only)

VII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 9:30 a.m.




February 20, 2020

TO: 2020 Audit Committee
Vivian H. Gray
David Green
Keith Knox
Gina V. Sanchez
Herman B. Santos

Audit Committee Consultant
Rick Wentzel

FROM: Richard Bendall 
Chief Audit Executive

Leisha Collins 
Principal Internal Auditor

FOR: March 4, 2020 Audit Committee Meeting

SUBJECT **AUDIT COMMITTEE MEETINGS**

RECOMMENDATION

The Audit Committee review the 2020 Meeting Calendar and Schedule Audit Committee Meetings for June, August, October and December.

BACKGROUND

The Audit Committee Charter (Attachment A) states that the Audit Committee will conduct regular meetings at least three times per year, with authority to convene additional meetings, as circumstances require. In the past, the Audit Committee has held meetings during the months of March, July and December. Even though the Audit Committee occasionally met for a fourth meeting, the limited number of meetings, along with the challenges of having a quorum, has left the Audit Committee with insufficient time to cover significant items in a timely manner. To keep the Audit Committee abreast of audit activities on a more frequent basis, staff recommends establishing additional meetings in the months of June (in lieu of July), August, and October.

Audit Committee Meetings

February 21, 2020

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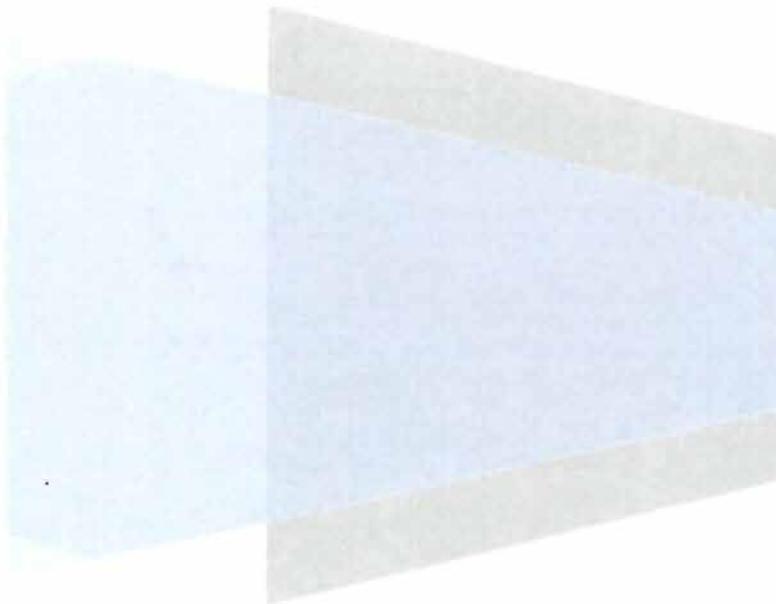
The following chart provides a summary of key agenda items for each of the meetings. The Board Calendar is also provided (Attachment B) for your reference of available dates to schedule the additional Audit Committee meetings:

<p>March (Planned)</p>	<ul style="list-style-type: none"> ▪ Election of Officers ▪ FYE 2020 Audit Plan Update ▪ Risk Assessment Framework ▪ Discussion/Approval of Audit Reports 	<p>October (Proposed Additional Meeting)</p>	<ul style="list-style-type: none"> ▪ FYE 2021 Audit Plan Update ▪ Discussion/Approval of Audit Reports
<p>June (Proposed Meeting in lieu of July Meeting)</p>	<ul style="list-style-type: none"> ▪ FYE 2020 Audit Plan Update ▪ FY 2021 Audit Plan Approval ▪ FY 2021 Internal Audit Goals ▪ QAIP Review ▪ Audit Committee Charter Review ▪ CAE Performance Evaluation ▪ Discussion/Approval of Audit Reports 	<p>December (Planned)</p>	<ul style="list-style-type: none"> ▪ Plante Moran Financial Audit Report Presentation ▪ FY 2021 Annual Report ▪ Internal Audit Goals Update ▪ Discussion/Approval of Audit Reports
<p>August (Proposed Additional Meeting)</p>	<ul style="list-style-type: none"> ▪ FYE 2021 Audit Plan Update ▪ AC Committee Consultant RFP ▪ Discussion/Approval of Audit Reports 		

Attachments

Audit Committee Charter

November 2017



2017

**AUDIT COMMITTEE CHARTER**

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AUDIT COMMITTEE CHARTER

I. PURPOSE

In November 2003, the Los Angeles County Employees Retirement Association's Board of Retirement and Board of Investments established the LACERA Audit Committee.

The purpose of this "Audit Committee Charter" is to govern the Audit Committee that assists the Boards of Retirement and Investments (Boards) in fulfilling their fiduciary oversight responsibilities for the financial reporting process, the system of internal controls, the audit processes, and the organization's method for monitoring compliance with laws and regulations. The Audit Committee Charter is a living document and may be amended for procedural and administrative matters upon majority vote of the Audit Committee.

II. AUTHORITY

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility.

It shall have the following authorities:

- A. Meet with LACERA's officers, Internal Auditors, External Auditors, or consultants as necessary.
- B. Seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests, or consultants, as necessary.
- C. Resolve any disagreements or coordinate between Management, Internal Audit, and/or External Audit.
- D. Oversee the work of Internal and External Audit, and any other consultants hired to assist the Audit Committee in fulfilling its fiduciary duties.
- E. Make recommendations to the Boards regarding:
 1. The appointment, compensation, and work of the External Auditor employed to audit LACERA's financial statements.
 2. The appointment, compensation, and work of accountants or other consultants to perform audits, reviews, or investigations related to financial or operational matters (when the cost is expected to exceed the Chief Executive Officer's discretionary allowance for such contracts).
 3. Such other matters as the Committee encounters in its work.



III. AUDIT COMMITTEE COMPOSITION AND CONSULTANT

The Audit Committee will consist of the chair and vice-chair of the Boards of Retirement and Investments, plus one additional Board member elected annually by each Board, for a total of four to six members¹. Board chairs and vice-chairs that leave Board service will be replaced automatically on the Audit Committee, when the Board replaces its missing officer while other Committee membership remains intact. If any elected Audit Committee member leaves Board service, the Board of the departing member, will elect a new Audit Committee member at the next regularly scheduled Board meeting. If Audit Committee voting results in a tie, the Committee will forward the recommendation to the appropriate Board for consideration and final decision.

The Committee shall have the authority to approve the hiring of the audit consultant as an advisor. The audit consultant will be designated as the audit technical and financial expert, to advise the Committee on audit and financial matters. The audit consultant's contract will be for three years with the option for the Audit Committee to choose to extend the contract for an additional two-year period.

At the first Committee meeting of each calendar year, the Committee shall elect a Chairman, Vice Chair and Secretary, each to serve for a term of one year or until his or her successor is duly elected and qualified, whichever is less. In the event of a vacancy in the office of chair, the vice chair shall immediately assume the office of chair for the remainder of the term. In the event of a vacancy in the office of vice chair or secretary, the Committee shall elect one of its members to fill such vacancy for the remainder of the term, at its next regular meeting.

IV. AUDIT COMMITTEE MEETINGS

The Audit Committee will conduct regular meetings at least three times per year, with authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting.

Regular meeting notices and agendas will be posted at least 72 hours in advance of the regular meetings, and will be made available to the public in accordance with the Ralph M. Brown Act (Government Code Sections 54950, et seq.). Public documents referred to in the agenda will be made available for review at the office of the staff secretary to the Committee. The Committee will invite members of management, Internal Auditors, External Auditors, and/or others to attend meetings and provide pertinent information, as necessary.

Special meetings of the Committee may be called in the manner provided by Government Code Section 54956(a). The Committee will have such other powers as provided in the Brown Act.

¹ The number of Committee members is dependent upon the designated Chair and Vice Chair appointments to the Boards of Retirement and Investments. If both Boards were to elect the same individuals to the positions of Chair and/or Vice Chair, the Audit Committee would be comprised of four or five Board Members.



Robert's Rules of Order, except as otherwise provided herein, shall guide the Committee in its proceedings; however, the chair of the Committee shall have the same rights to vote and participate in discussions as any other member of the Committee without relinquishing the chair. The order of business shall be as determined by formal action of the Committee. Four members of a six-member Audit Committee or three members of a four or five-member Audit Committee, excluding the audit consultant, constitute a quorum.

The secretary of the Committee shall cause to be recorded in the minutes the time and place of each meeting of the Committee, the names of the members present, all official acts of the Committee, the votes given by members except when the action is unanimous, and when requested by a member, that member's dissent or approval with his or her reasons, and shall cause the minutes to be written forthwith and presented for approval at the next regular meeting.

V. RESPONSIBILITIES

The Audit Committee will carry out the following responsibilities to fulfill their fiduciary oversight responsibilities:

A. Internal Audit

1. Approve the Internal Audit Charter.
2. Ensure the independence of Internal Audit.
3. Approve the Annual Audit Plan and all major changes to the Plan. Review and monitor Internal Audit's activity relative to its Plan.
4. Review, with the Chief Audit Executive (CAE), Internal Audit's resource plan, activities, and organizational structure.
5. Monitor Internal Audit's recommendations to ensure Management has adequately addressed the risk(s) identified, either through implementing a new policy, procedure, or process, or accepting the associated risk.
6. Review and discuss engagement reports to take the following action(s):
 - a. accept and file report and/or,
 - b. instruct staff to forward report to Boards or Committees and/or,
 - c. provide further instruction to staff.

**B. Chief Audit Executive**

Since the CAE reports to the Chief Executive Officer (CEO) for administrative purposes, but to the Audit Committee for functional purposes, the Audit Committee will be responsible for the following:

1. Make recommendations to both Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE, which will be addressed by the Boards in a joint meeting. Both Boards will make the final decisions as to the appointment, discipline, dismissal, and/or removal of the CAE. The CEO has authority to administer minor discipline, which is limited to counseling memos and written warnings, with notice of such discipline to be provided to the Committee and the Boards at their next meetings. Consideration by the Boards and the Committee concerning the appointment, discipline, dismissal, and/or removal of the CAE will be made in executive session under Government Code Section 54957(b).
2. Perform the CAE's annual assessment with qualitative input from the CAE and CEO. The Committee's discussion regarding the CAE's annual performance evaluation will be made in executive session under Government Code Section 54957(b).
3. Administer the CAE's annual salary adjustment using the Boards' established compensation structure.

C. External Audit

1. Make recommendations to the Board of Retirement regarding the appointment, compensation, and the work of the External Auditor.
2. Oversee the work of the External Auditor, including review of the External Auditor's proposed audit scope and approach, as well as coordination with Internal Audit and Management.
3. Review the findings and recommendations of the External Auditor, Management's responses, and actions taken to implement the audit recommendations.
4. Approve all non-compliance work.

D. Monitoring the Financial Reporting Process

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements.
2. Review with Management and the External Auditors the results of the audit, including any difficulties encountered.
3. Review the annual financial statements, consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.



4. Review with Management and the External Auditors all matters required to be communicated to the Committee under *Generally Accepted Auditing Standards*.

E. Monitoring Management's System of Internal Controls

1. Consider the effectiveness of LACERA's internal control system, including information technology security and control.
2. Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.

F. Monitoring Management's System of Compliance

1. Annually, review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.
2. As needed, review the findings of any examinations by regulatory agencies, and any auditor observations.
3. Annually, review Management's process for communicating LACERA's Code of Ethics to company personnel, and for monitoring compliance therewith.
4. Annually, review reported activity to ensure issues of fraud, noncompliance, and/or inappropriate activities are being addressed.

G. Conflicts and Ethics

Audit Committee members must comply with the BOR, BOI, and LACERA's Code of Ethics. Specific to the Audit Committee:

1. Avoid actual or potential conflict of interest or ethics issues. Members will notify the Audit Committee Chair and Vice Chair, the CEO, and Legal Counsel of such issues concerning themselves and other Audit Committee members related to the business of the Audit Committee.
2. Review reports received relating to conflict of interest and ethics issues, and if appropriate, make a recommendation to the Boards.

H. Other Responsibilities

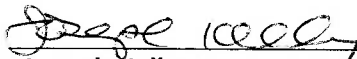
1. Report to the Boards as needed about the Audit Committee's activities, issues, and related recommendations.
2. Provide an open avenue of communication between Internal Audit, the External Auditors, Management, and the Boards.
3. Perform other activities related to this Charter as requested by the Boards
4. Review and assess the adequacy of the Committee's Charter annually, requesting the Boards' approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.



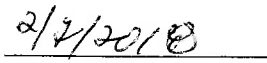
5. Communicates public disclosures related to the purpose, authority, function, and responsibility of the Audit Committee.

VI. APPROVAL OF PROCEDURAL AND ADMINISTRATIVE UPDATES

This Audit Committee Charter ("AC Charter") was updated for procedural and administrative matters, and approved by the Audit Committee on November 30, 2017. This updated AC Charter is thereby effective this day and is hereby signed by the Audit Committee Chair,




Joseph Kelly
Chair, Audit Committee



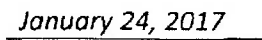
Date

VII. APPROVAL OF AUDIT COMMITTEE CHARTER


This Audit Committee Charter ("AC Charter") was reviewed by the Audit Committee on December 14, 2016, and approved by the Board of Retirement and Board of Investments on January 11, 2017 and January 12, 2017, respectively. This AC Charter is thereby effective January 12, 2017 and is hereby signed by the following persons who have authority and responsibilities under this Charter.



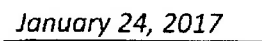
Shawn R. Kehoe
Chair, Board of Retirement



Date



David Green
Chair, Board of Investments



Date

ATTACHMENT B

JANUARY 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1 New Year's Day	2 <i>BOI Meeting Agenda Packet Mailing</i>	3 <i>BOR Meeting/Committee Agenda Packet Mailing</i>	4
5	6	7	8 BOI Meeting	9 BOR Meeting (Committees)	10	11
12	13	14	15	16	17	18
19	20 Martin Luther King, Jr. Day	21	22	23	24	25
26	27	28	29	30	31	
NCPERS Legislative Conference – Washington, DC						

FEBRUARY 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5 BOR & BOI MEETING BOR (Committee)	6	7	8
9	10	11	12 BOI (Committee)	13 BOR (Committees)	14	15
	Pension Bridge ESG – San Diego, CA		PPI Winter Roundtable – Pasadena, CA			
	IFEBP Trustees & Administrators Institute – Orlando, FL					
16	17 President's Day	18	19	20 RELAC Luncheon	21	22
		NACD: From Battlefield to Boardroom – Washington, DC				
23	24	25	26	27	28	29
		SuperReturn – Berlin, Germany				
				ICGN Seoul Conference – Seoul, South Korea		

MARCH 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4 BOR Audit Comm Meeting	5	6	7
		PREA Spring Conference – Beverly Hills, CA				
	NACD Director Professionalism – M			NACD Master Class – Miami, FL		
8	9	10	11	12 BOR	13	14
	CII Spring Conference – Washington, DC					
15	16 BOI	17	18	19	20	21
		AHIP National Health Policy Conference – Washington, DC				
22	23	24	25	26	27	28
		NAIC ENGAGE – Oakland, CA		NASP Conference – Los Angeles		
29	30 Holiday	31	1			
	NACD Director Professionalism – Grapevine, TX					
	CALAPRS Advanced Principles of Pension Management for Trustees – Los Angeles, CA					
	World Healthcare Congress – Washington, DC					

APRIL 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1 BOR	2 BOR & BOI MEETING	3 TBI Med Legal – San Diego, CA	4
5	6 IFEBP Health Care Management Conference – Phoenix, AZ CRCEA Spring Conference – Visalia, CA	7	8 BOI	9 BOR	10	11
12 Easter	13	14	15 IAFCI 2020 Cyber Fraud Summit – Austin, TX	16	17	18
19	20 IFEBP Wharton Portfolio Concepts and Management – Philadelphia, PA	21	22	23	24	25
26	27 IFEBP Investments Institute – New Orleans, LA	28 BOR Offsite – Los	29 BOR Offsite – Los Angeles	30		

MAY 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2 Milken Global Conference – Los Angeles, CA
3	4 IFEBP Washington Legislative Update – Washington, DC	5	6	7 BOR	8	9
Milken Global Conference – Los Angeles, CA						
10 Mother's Day	11	12	13	14	15	16
SACRS Spring Conference – San Diego, CA						
NCPERS Annual Conference – Las Vegas, NV						
	21 BOI				22	23
24	25 Memorial Day	26	27	28	29	30
	31					

JUNE 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3 BOR	4	5	6
	Wharton Investment Strategies and Portfolio Management – Philadelphia, PA					
				NACD Master Class Washington DC Invite – Washington, DC		
7	8	9	10 BOI	11 BOR	12	13
	TLF – Boston, MA					
	ICGN Annual Conference – Toronto					
14	15	16	17	18	19	20
		Pomerantz Roundtable – Beverly Hills, CA		AHIP Institute & Expo Conference – Miami, FL		
21	22	23	24	25	26	27
Father's Day				SuperReturn Emerging Manager– Amsterdam, Netherlands		
28	29	30	1			
	IFEBP Public Employee Benefits Institute – San Francisco, CA					
	IFEBP Trustees & Administrators Institute – San Francisco, CA					

JULY 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	29	30	1 BOR	2	3	4 Independence Day
		IFEBP Public Employee Benefits Institute – San Francisco, CA				
		IFEBP Trustees & Administrators Institute – San Francisco, CA				
5	6	7 BOI Offsite – Los Angeles	8 BOI Offsite – Los Angeles	9 BOR	10	11
12	13	14	15	16	17	18
			PPI Summer Roundtable – Vancouver, Canada			
19	20	21	22	23	24	25
26	27	28	29	30	31	

AUGUST 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5 BOR	6	7	8
9	10	11	12 BOI	13 BOR	14	15
16	17	18	19	20	21	22
				NACD Master Class – Laguna Beach, CA		
23	24	25	26	27	28	29
		NACD Director Professionalism – Rancho Palos Verde, CA				
NCPERS Public Pension Funding Forum – Chicago, IL						
	CALAPRS Principles of Pension Governance for Trustees – Malibu, CA					
IFEBP 39 th Annual ISCEBS Employee Benefits Symposium – San Diego, CA						
30	31					

SEPTEMBER 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2 BOR	3	4	5
6	7 Labor Day	8	9 BOI	10 BOR	11	12
13	14	15	16	17	18	19
				AHIP State Issues Retreat – Washington, DC		
AHIP National Conferences on Medicare, Medicaid, and Dual Eligibles – Washington, DC						
20	21	22	23	24	25	26
		SuperReturn Asia – Hong Kong				
		ICGN – Stockholm, Germany				
		CII Fall Conference – Washington, DC				
27	28	29	30	1	2	
Yom Kippur			PREA Institutional Investor Conference – Boston, MA			

OCTOBER 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			30	1	2	3
			PREA Institutional Investor Conference – Boston, MA			
4	5	6	7 BOR	8	9	10
11	12 Indigenous People's Day	13	14 BOI	15 BOR	16	17
18	19	20	21	22	23	24
	PPI Executive Seminar & Asia Roundtable – Tokyo, Japan					
25	26	27	28	29	30	31
	NCPERS Public Safety Conference – Phoenix, AZ					Halloween

NOVEMBER 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4 BOR	5 BOI	6	7
8	9	10	11 Veterans Day	12	13	14
SACRS Fall Conference – Indian Wells, CA						
15	16	17	18	19	20	21
IFEBP 66 th Annual Employee Benefits Conference – Honolulu, HI						
22	23	24	25	26 Thanksgiving	27 Thanksgiving Holiday	28
29	30					

DECEMBER 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2 BOR	3	4	5
			NACD Master Class – Scottsdale, AZ			
6	7	8	9 BOI	10 OR	11	12
	NACD Director Professionalism – Orlando, FL					
	AHIP Consumer Experience & Digital Health Forum –			Hanukkah		
13	14	15	16	17	18	19
20	21	22	23	24 Christmas Eve	25 Christmas Day	26 Kwanzaa
27	28	29	30	31 New Year's Eve		




February 20, 2020

TO: 2020 Audit Committee
Vivian H. Gray
David Green
Keith Knox
Gina V. Sanchez
Herman B. Santos

Audit Committee Consultant
Rick Wentzel

FROM: Richard Bendall 
Chief Audit Executive

Leisha Collins 
Principal Internal Auditor

FOR: March 4, 2020 Audit Committee Meeting

SUBJECT **FYE 2020 INTERNAL AUDIT PLAN AMENDMENTS**

RECOMMENDATION

The Audit Committee review and approve amendments to the FYE 2020 Internal Audit Plan Amendments

BACKGROUND

According to the Institute of Internal Auditor's (IIA's) *International Standards for the Professional Practice of Internal Auditing (Standards)*, the Chief Audit Executive (CAE) must establish a risk based plan to determine the priorities of the internal audit activity, consistent with the organization's goals. The Standards and the Audit Committee Charter require the CAE to communicate the audit plan and any subsequent significant changes to the audit plan to executive management and the Audit Committee. The Audit Committee approved the current Audit Plan at the July 2019 meeting, and the CAE has provided an update at the subsequent December 2019 Audit Committee meeting.

DISCUSSION

Based on emergent risks and requests from the Audit Committee and executive management, Internal Audit is proposing a revised Audit Plan for FYE 2020. Attached is the amended Audit Plan for your consideration. Proposed changes the Audit Plan include the following:

- Reformatting the report to define more clearly, the audit assignments and highest priorities.
- Listing of unplanned projects, the justification for additions, and the status for each project.
- Summary of projects added to and removed from to the Audit Plan.

Staff will be available at the March Audit Committee meeting to provide an overview of the audit plan process and discuss any questions you may have about the revised Audit Plan.

AMENDED INTERNAL AUDIT PLAN FYE 2020

A description of each audit area is included in Exhibit A

Audit/Project	Project Type	Audit Assignment/ Vendor	Status
MANAGEMENT, GOVERNANCE & COMPLIANCE			
1. Business Continuity/Disaster Recovery	Consulting	TS, RB, GL	Ongoing
2. Wireless Devices Audit (NEW)	Audit	SV	In Progress
3. Contract Management Audit	Audit	KT	In Progress
4. Employee Overtime Audit	Audit	TS	In Progress
5. Strategic Planning/Budget Process	Consulting	RB, TS	Completed
6. LACERA Fraud & Ethics Hotline	Organizational	KT,	Completed
7. LA County Audit Oversight (NEW)	Consulting	LC, RB, CL	In Progress
8. Ethical Cultural Assessment (NEW)	Audit	KT, RB, LC	Completed
9. Form 700 Compliance Audit	Audit	TS, RB	Start: May 2020
10. Continuous Auditing Program (CAP)	Audit	NA, GT	Ongoing
11. Timecard Review	Audit	TS	Report Issued 11/22/19
12. Corporate Credit Card Audit	Audit	KT, NA	Start: May 2020
13. Privacy Audit Reco Coordination	Consulting	TS	Ongoing
14. Compliance Committee	Consulting	CL, RB	Ongoing
15. Strategic Goals Team Participation	Consulting	LC, RB	Ongoing
16. Quality Assurance Improvement Program	Admin	CL RB, LC	In Progress
17. Risk Assessment – FYE 2021	Admin	LC, RB	Start: May 2020
18. Internal Audit Operations Guide Update	Admin	LC, RB, CL	In Progress
19. Fiduciary Review	Consulting		Removed
20. Inventory Process Consulting	Consulting		Removed
BENEFITS ADMINISTRATION			
21. Account Settlement Collection Audit	Audit		Deferred to FY 2021
22. Benefits' Exception Report Audit	Audit	SV	Report Issued 11/22/19
23. Quality Assurance Operations Review	Audit	KT	Start: March 2020
24. Member Benefits Calculation Audit	Audit	NA	Start: March 2020
25. Member Authentication Process	Consulting	GL, GT	In Progress
26. Death Legal Process Audit	Audit	NA	In Progress
27. Foreign Payee Audit	Audit	NA	In Progress
28. Member Appeal Process Review	Audit		Removed
29. Member Call Center Monitoring Review	Audit		Removed
INFORMATION SYSTEMS			
30. External Penetration Testing	Audit	Clear Skies	In Progress
31. Web Portal Review	Audit	Clear Skies	In Progress
32. Database Review	Audit	SV, GL, GT	In Progress
33. SOC Readiness Assessment (NEW)	Consulting	CL	In Progress
34. Cyber SIEM Review	Audit	GT	Start: February 2020
35. Privileged Access Review	Audit	GT, SV	Start: April 2020
36. Third Party Data Security Review	Audit	SV	Start: March 2020
37. Project Management Review	Audit		Removed
FINANCIAL & INVESTMENT OPERATIONS			
38. External Financial Audit - Oversight	Audit	Plante Moran	Start Date: April 2020
39. THC RE Financial Audits - Oversight	Audit	External Audit	Completed
40. Real Estate Advisor Reviews	Audit	External Audit	In Progress
41. Accounts Payables Audit	Audit	TS	Start: March 2020
42. Investments Due Diligence Review	Audit	KT	Start: June 2020
43. Actuarial Services - Oversight	Consulting	SV	In Progress
44. Custodial Bank Services	Consulting	TS	Ongoing
45. Investment Data Controls Review	Audit		Removed

- Highest priority of risk to organization and Audit or Consulting work
- High Priority organizational risk and Auditor or Consulting/Assignment

The following are unplanned projects or additions to the Audit Plan in progress or completed:

Project	Project Type	Audit Assignment	Status
LA County Audit Oversight	Consulting	LC, RB, CL	LA County Auditor-Controller conducted an audit of LACERA at the request of the LA BOS and issued an audit report in November 2019. IA provided oversight of the LA County Audit and currently tracks and reports to the Exec Office the status of recommendations. CEO will discuss progress at the April Joint Board meeting. This is a significant project that has been added to the Audit Plan
Wireless Devices Audit	Audit	SV	The procurement and tracking of wireless devices has been identified as a high-risk area and was included in the LA County Audit Report. The estimated completion date of this audit is March 30, 2019. This is a significant project that has been added to the Audit Plan
Ethical Cultural Assessment	Audit	KT, RB, LC	At the request of the Audit Committee Chair, IA researched firms to conduct an Ethical Cultural Assessment and developed an action plan and timeline for this engagement. The assessment will be included in the FYE 2021 Audit Plan. Project added to the Audit Plan
SOC Readiness Assessment Oversight	Consulting	CL	As a result of the OPEB Plan restructure, Plante Moran will perform a Systems and Organization Change (SOC) audit over the controls related to OPEB data. The first phase of the engagement is a Readiness Assessment. Due to the complexity of this project and coordination among several key divisions, IA has taken on the role of project manager. The Readiness Assessment began in February 2020 and will continue through June 2020. This is a significant project that has been added to the Audit Plan
Real Estate Performance Data Consulting	Consulting	KT	Completed
Check Deposit and Safe Keeping - Admin	Consulting	TS	Completed
Assistance with Public Records Request	Consulting	RB, LC, CL	Completed
OPA Contract Study with Benefits and Milliman	Consulting	SV	Completed
Outside Agency OPEB data request	Consulting	SV	Completed

The following are projects removed from the Audit Plan:

Project	Project Type	Audit Assignment	Status
Fiduciary Review	Consulting	TS, RB	Postponing consideration of a fiduciary review/audit until FYE 2021 Audit Plan to allow boards and organization to adjust/settle in under the direction of the new CEO.
Inventory Process	Audit	NA, CL	Management is completing an organization-wide inventory. The Procurement Policy was approved in November 2019 and management has made significant progress in developing desk procedures, which are on track for completion by February 2020. A new audit of wireless devices has been added to the current Audit Plan, which includes a review of inventory procedures relating to these devices.
Account Settlement Process	Audit	SV	Management is in the process of implementing recommendations from Internal Audit's preliminary review completed in FYE 2019 and management is making significant process changes to strengthen internal controls. IA will defer this audit until next fiscal year to allow management sufficient time to incorporate changes.
Project Management Review	Audit	RB, LC	We removed this audit due to the renewed organizational focus on IT development projects and the alignment of resources and projects with the strategic direction and goals of the organization.
Members Appeal Process	Audit	TS	Audit replaced with higher risk audit project. IA will consider this audit for FYE 2021
Members Call Center Monitoring Review	Audit	NA	Audit replaced with higher risk audit project. IA will consider this audit for FYE 2021
Investment Data Controls	Audit	SV	Audit replaced with higher risk audit project. IA will consider this audit for FYE 2021

AUDIT PLAN FYE 2020

The following table provides a description of each audit area included in the FYE 2020 Audit Plan.

	PROJECT	DESCRIPTION
MANAGEMENT, GOVERNANCE & COMPLIANCE		
1.	Business Continuity/Disaster Recovery	Assist management in working with the consultant to reengineer and enhancing LACERA's Business Continuity/Disaster Recovery Program.
2.	Wireless Devices Audit (NEW)	Review of effectiveness and efficiency of policies and procedures relating to the procurement, tracking and disposal of wireless devices. This audit area was also identified in the LA County Audit of LACERA Operations.
3.	Contract Management Audit	Review the efficiency of the Contract Management System and effectiveness of policies and procedures for tracking and monitoring contract compliance.
4.	Employee Overtime Audit	Audit of employee overtime practices throughout the organization to assess if adequate policies and procedures have been established and are followed.
5.	Strategic Planning/Budget Process	Review of Strategic Planning in relation to budget planning and development.
6.	LACERA Fraud and Ethics Hotline	Reengineer LACERA's Fraud and Ethics Hotline to incorporate a more enhanced system for the reporting and tracking of cases.
7.	LA County Audit Oversight (NEW)	LA County Auditor-Controller conducted an audit of LACERA at the request of the LA BOS. IA provided oversight of the LA County Audit and tracks and reports to the Exec Office the status of recommendations.
8.	Ethical Cultural Assessment (NEW)	At the request of the Audit Committee Chair, IA researched firms to conduct an Ethical Cultural Assessment.
9.	Form 700 Compliance Audit	Audit of Form 700 to assess staff and board compliance.
10.	Continuous Auditing Program (CAP)	Automated testing of LACERA transactions and information systems. CAP provides continuous assurance in key areas of compliance and includes fraud detection audits.
11.	Timecard Review	Review organization-wide timekeeping controls to assess the accuracy of time reported and effectiveness of controls.
12.	Corporate Credit Card Audit	Audit credit card usage to verify compliance with LACERA's Credit Card Policy.
13.	Privacy Audit Recommendation Coordination	Oversee and actively coordinate the implementation of the recommendations as stated in the external Privacy Audit Report.
14.	Compliance Committee	Participate on the Compliance Program Steering Committee in developing a framework for LACERA's formal compliance program.
15.	Strategic Goals Team Participation	Staff participate in cross-functional teams (formed in FY 2019) to assist in the completion of organization strategic goals.
16.	Quality Assurance Improvement Program (QAIP)	The QAIP includes ongoing monitoring of IA performance, periodical internal and external assessments, and communication of results to key stakeholders. Internal Audit will continue to formalize the QAIP, which is a FYE 2019 and FYE 2020 goal.
17.	Risk Assessment – FYE 2021	On an annual basis, Internal Audit assesses risks and controls throughout the organization to plan for LACERA's overall audit needs and to develop the Audit Plan. A FYE 2020 goal is to review and refine the risk assessment process.

Amended FYE 2020 Audit Plan

February 20, 2020

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18.	Internal Audit Operations Guide Update	Update Internal Audit's Operation Guide. This is a FYE 2019 and FYE 2020 goal.
19.	Fiduciary Review	Internal Audit will spearhead the Fiduciary Review conducted by an independent third party. The purpose is to assess how well LACERA is meeting its governance and oversight responsibilities as well as the effectiveness of its operations.
20.	Inventory Process Consulting	Review the inventory control process for completeness and efficiency.
BENEFITS ADMINISTRATION		
21.	Account Settlement Collection (ASC) Audit	The ASC Process is the collection of member and/or beneficiary's funds owed to LACERA. The Audit will serve as follow-up of management's progress in addressing areas of concern and deficiency from the FY 2019 review.
22.	Benefits' Exception Report Review	Review the process for generating, managing, and using Benefit Exception Reports to assess effectiveness and efficiency.
23.	Quality Assurance (QA) Operations Audit	Review QA operations for auditing benefit transactions and reporting audit results
24.	Member Benefit Calculation Audit	Audit member benefit calculations (on a risk basis) for accuracy and completeness.
25.	Member Authentication Process	Review the adequacy and appropriateness of processes relating to authenticating members' identity prior to providing member information.
26.	Death Legal Process Audit	Review Benefits divisions' processes for tracking and processing member death and legal split cases.
27.	Foreign Payee Audit	Periodic audit that confirms the living status of retirees living abroad.
28.	Member Appeal Process Review	Audit the member appeals process to assess if appeals are tracked, monitored and resolved in compliance with laws and/or policies and procedures.
29.	Member Call Center Monitoring Review	Review the effectiveness and efficiency of call monitoring in Member Services and Retirement Health Care.
INFORMATION SYSTEMS		
30.	External Penetration Testing	Annual External Network Penetration testing to assess the security of LACERA's network including internet accessible to the Member Portal.
31.	Web Portal Review	Review application security controls and application code for compliance with best practice guidelines.
32.	Database Review	Review Microsoft Access databases used throughout LACERA to facilitate member transactions and benefits processes. Assess management controls to prevent process disruptions in case a database fails.
33.	SOC Readiness Assessment (NEW)	As a result of the OPEB Plan restructure, Plante Moran must perform a Systems and Organization Change (SOC) attestation engagement of census data. The first phase of the engagement is a Readiness Assessment. IA has taken on the responsibility of project manager and liaison between the key stakeholders and the audit firm.
34.	Cyber Security Information & Event Management (SIEM)	Review SIEM processes to ensure good practices exist for analyzing log-event data used to monitor threats and facilitate timely incident response.
35.	Privileged Access Review	Review the creation, monitoring and maintenance of privileged access credentials for compliance with best practice guidelines.
36.	Third Party Data Security Review	Review processes in place that protect the confidentiality, integrity and availability of LACERA's data transferred to third parties.
37.	Project Management Review	Assess the implementation of LACERA systems to meet business objectives.
FINANCIAL & INVESTMENT OPERATIONS		
38.	External Financial Audit - Oversight	Internal Audit manages the relationship with LACERA's external financial auditors for the annual financial statement audit.
39.	THC Real Estate Audits - Oversight	Internal Audit manages the relationship with the Real Estate external auditors who perform the real estate THC financial audits.
40.	Real Estate Advisor Reviews	External audit firms conduct Real Estate Advisor contract compliance and operational reviews on an as-needed basis.

Amended FYE 2020 Audit Plan

February 20, 2020

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41.	Accounts Payables Audit	Audit of Accounts payables, including payment vouchers, and ACH transactions for accuracy.
42.	Investment Due Diligence Review	Review due diligence practices relating to asset classes for efficiency and effectiveness.
43.	Actuarial Services - Oversight	Internal Audit manages the relationship with the Actuarial Consultant and Auditor for services relating to actuarial projects.
44.	Custodial Bank Services	Participating, on a consulting basis, with the Investments Office and FASD in operational improvements of custodial bank services.
45.	Investment Data Controls Review	Review investment data controls to ensure confidential financial data is adequately protected.



February 20, 2020

TO: 2020 Audit Committee
Vivian H. Gray
David Green
Keith Knox
Gina V. Sanchez
Herman B. Santos

Audit Committee Consultant
Rick Wentzel

FROM: Richard Bendall 
Chief Audit Executive

Summy Voong 
Senior Internal Auditor

FOR: March 4, 2020 Audit Committee Meeting

SUBJECT: **Benefits' Exception Report Audit**

RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report to take the following action(s):

- 1. accept and file report and/or,**
- 2. instruct staff to forward report to Boards or Committees and/or,**
- 3. provide further instruction to staff.**

ENGAGEMENT REPORTS

- a. Benefits' Exception Report Audit
Summy Voong, Senior Internal Auditor
(Report issued: November 22, 2019)

Attachments

SV



LACERA INTERNAL AUDIT DIVISION

Benefits' Exception Report Audit

November 22, 2019

AUDIT PERFORMED BY:
Summy Voong, CISA, CISM
Senior Internal Auditor

EXECUTIVE SUMMARY

As part of the Fiscal Year (FY) 2018-2019 audit plan, we completed an audit of the Benefits' exception report review process. This process encompasses staff's review of exception reports automatically generated by LACERA's internally developed benefits administration system, Workspace. The purpose of an exception report is to alert staff of potential errors in a member's account during the automated processing of transactions and to identify possible discrepancies in member records when validating data sent to and received from outside third parties (e.g., Los Angeles County and the Internal Revenue Service).

The primary purpose of our audit was to validate the completeness and accuracy of selected in-scope exception reports, provide assurance that internal controls exist over the creation, maintenance, and deletion of reports, and evaluate if the reports functioned as intended to assist the business unit in achieving its operational objectives. Reviewing exception reports have historically been an area of concern for LACERA management due to a number of factors including:

- Reports generated on a routine basis could number close to a hundred for a single staff member.
- Reports contain large amounts of records and data, which may include sensitive member information such as the full 16-digit social security number.
- Staff are generally required to validate all records of a report in order to identify only a few records that need actual correcting.
- Staff continue to receive certain reports after they have transferred to other divisions or business units.

The Business Analyst Group in Systems is responsible for developing the programming logic that identifies potential errors and discrepancies based on requirements set forth in Board or Business Policy, IRS rules, the 1937 Act or PEPR law. Due to the large volume of exception reports generated throughout the organization, we limited the scope of this audit to key functions in the Account Integrity Services (AIS) and Special Benefit Services (SBS) areas in Benefits as these two business units typically handle the most complex member cases and therefore represent the most high-risk functions.

We determined operational procedures were adequate to provide reasonable assurance that staff appropriately reviewed and resolved exception reports potentially affecting the on-time payment of a retired member's benefits payment. However, we identified the following areas where oversight and controls could improve around the exceptions report review process by:

- 1) Consistently reviewing the programming logic used in developing exception reports to verify that exception reports data related to all member records are complete, accurate, and useful to the business unit.
- 2) Periodically reviewing report recipients to ensure that staff only receive reports as needed for their job responsibilities. This also assists management with identifying and deleting obsolete reports and ensures staff in new roles receive the appropriate level of training to understand and validate exception records to minimize LACERA's exposure to risks and liabilities.
- 3) Improving the archiving process for hard copy paper reports by limiting reports to electronic copy or appropriately tracking and destroying reports per LACERA's records retention program.

LACERA management agreed with all of our recommendations and has begun implementing or developing management actions plans to address the recommendations. Specific details of the observations, recommendations, and management responses are detailed in the remainder of the report. Internal Audit would like to express our gratitude to the Benefits and Systems Divisions for their assistance and cooperation with our audit.

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INTRODUCTION

As part of the Fiscal Year (FY) 2018-2019 audit plan, we completed an audit of the Benefits' exception report review process. This process encompasses staff's review of exception reports automatically generated by LACERA's internally developed benefits administration system, Workspace. The purpose of an exception report is to alert staff of potential errors in a member's account during the automated processing of transactions and to identify possible discrepancies in member records when validating data sent to and received from outside third parties (e.g., Los Angeles County and the Internal Revenue Service).

The primary purpose of our audit was to validate the completeness and accuracy of selected in-scope exception reports, provide assurance that internal controls exist over the creation, maintenance, and deletion of reports, and evaluate if the reports functioned as intended to assist the business unit in achieving its operational objectives. Due to the large volume of exception reports generated throughout the organization, we limited the scope of this audit to key functions in the Account Integrity Services (AIS) and Special Benefit Services (SBS) areas in Benefits as these two business units typically handle the most complex member cases and therefore represent the most high-risk functions.

BACKGROUND

The Workspace system tracks and processes retirement benefits for active, deferred, and retired members and generates the monthly benefits payroll for all retired members. Transactions and data processed through Workspace are programmed into automated batch jobs that run at different times based on the various operational processes throughout LACERA (e.g., retiree payroll distribution, monthly retiree benefits, semi-annual interest posting, and annual contribution rate changes, etc.,). Due to the high volume of transactions and data processed by Workspace, programming logic known internally as program criteria's were pre-defined and embedded into each batch job to automatically validate transactional data and identify errors or discrepancies in member records.

Batch Jobs

A batch job can contain multiple exception reports depending on the volume and complexity of the transactions processed. Batch jobs automatically run either daily, weekly, monthly, quarterly, semi-annually or annually and are monitored 24/7 by the Business Analyst Group in Systems. To ensure timely processing of member accounts with no issues, the program criteria's allow all valid transactions within the job to process and only delay those accounts flagged as exceptions. This process also ensures that the member account previously flagged as an exception will process correctly during the next scheduled batch job once staff correct the

error. Hard copy or electronic benefit exception reports are generated based on each batch job's program criteria's and benefits staff review the exception reports for potential errors.

Program Criteria's

The Business Analyst Group develop the batch job program criteria's based on requirements defined by business policies and rules as determined by the fund's sponsors and LACERA, and pertinent law governing LACERA such as CERL and PEPR. Changes in the law, business or board policy, and volume of transactions processed per batch job are some of the key factors that determine the development of new program criteria's with relevant stakeholders determining the requirements. The program criteria's development procedures follow the Systems Division's System Change Request (SCR) workflow which was the Division's' former system development life cycle (SDLC) process. Systems replaced the SCR process during the course of our audit fieldwork by a new ticket tracking system that allows end users to submit new report requests electronically by opening a Helpdesk Ticket and defining the business requirements. The new system also allows Systems to generate, appropriately track and manage the workflow for each new request throughout the development stages.

Account Integrity Services

The Benefits Division's Account Integrity Services (AIS) Group is responsible for ensuring all pertinent information in the member or beneficiary accounts are accurate. AIS consists of the following business units:

- Account Maintenance Unit (AMU) – this team maintains member records as part of the Agency Deduction Process. AMUs primary focus is to ensure the accuracy of member benefit deductions sent to agency or recipients. Agency deduction payments are categorized into two types:
 - Voluntary, which can include payments for credit unions, union dues, insurance and other membership organizations.
 - Involuntary, which can include federal, state, and local tax withholdings, child support, creditor garnishments, bankruptcy orders, student loan garnishments and federal loan agency garnishments.

Recipient deduction payments are payments required by a court order for child or spousal support and made directly to the recipient or an agency.

- Account Settlements Unit (ASU) – this team serves a lead role for a number of high-risk processes that could potentially affect LACERA's exposure to further risks and liabilities. Key functions include the over/under retirement payments collections, the Report Control Center, outlawed checks, and the required minimum distributions.
- Benefit Protection Unit (BPU) – this team coordinates LACERA's efforts to resolve "high risk" cases where a member's identity and/or status have come into question. Key

functions of the team include the Death Match Process, also known as the "Pension Benefit Information (PBI) Process," as well as the Member Verification Process.

Special Benefit Services

The Special Benefit Services (SBS) Group is responsible for all the complex member cases that require the most detailed analysis and consists of the following business units:

- Advanced Payroll Unit (APU) – this team handles all disability cases including service connected disabilities (SCD) for safety members and non-service connected disabilities for general members. This team also administers the payment correction process when a member's retirement payment requires adjustments.
- Death/Legal Unit (DLU) - this team handles all active and retiree death cases and divorce cases to determine beneficiary eligibility and each party's appropriate portion of the benefit payment.
- Benefits Exceptions Unit (BEU) - this team handles all other one-off exceptions cases that do not fall under any of the other team's purview. These cases generally require the most time intensive and detailed analysis by staff such as discharged members who were subsequently found to be wrongfully discharged, and therefore must be reinstated.

AUDIT OBJECTIVE(S)

The objectives of the audit were to review and assess the effectiveness and administrative oversight of the Benefits' Exception Report review process. Specifically, we determined the following:

1. Whether procedures exist to validate the completeness and accuracy of selected in-scope exception reports.
2. Whether internal controls exist over the administrative process for creating, maintaining, and deleting exception reports.
3. If the reports function as intended to assist the business unit in achieving its operational objectives and ensure the integrity of member accounts and transactions.

AUDIT SCOPE

The scope of the audit covered fiscal year 2018/2019 and focused on exception reports that operationally support key functions in the Account Integrity and Special Benefits Services areas in Benefits.

Specifically, we reviewed and evaluated the following:

- Staff and management's review process for in-scope exception reports to validate the completeness, accuracy, and usefulness of the reports.
- The effectiveness of controls and procedures in place to ensure that reports are appropriately requested, tracked, and deleted when obsolete.
- The efficiency and effectiveness of management's procedures to ensure reports appropriately assist the business unit in achieving its operational objectives, verify reports are reviewed timely with documented support and issues identified are resolved.

Note: *Our review did not examine all exception reports due to the large volume of exception reports generated throughout the organization. Internal Audit will evaluate exception reports as part of our annual risk assessment to determine if a separate exceptions report audit is necessary for other parts of the organization.*

AUDIT METHODOLOGY

Our audit methodology was designed to provide a managerial-level review of the benefits' exception report review practices, which included detailed testing of a limited number of reports. Our testing approach focused on evaluating exception reports used in key operational processes, with emphasis on those that could affect a retired member's on-time benefits payment.

To test if procedures exist to validate the completeness and accuracy of selected in-scope exception reports:

- Defined all key business functions of each team in the Account Integrity and Special Benefits Services business units.
- Documented the exception reports used by the each team that support their key business functions.
- Reviewed existing policies and procedures related to the exceptions report review processes.
- Interviewed staff and management from both Systems and Benefits to define each division's understanding of the exceptions report review requirements.

To test if internal controls exist over the administrative process for creating, maintaining, and deleting exception reports:

- Obtained a listing of System Change Requests (SCR) forms for the audit period to understand System's process for creating exception reports.
- Confirmed that requests for new or modified exception reports were appropriately requested with a valid business requirement, tested in development environment by end users, and approved prior to migrating to production.

- Validated that obsolete exception reports were deleted and retired/resigned/transferred staff no longer received reports outside their normal job functions.

To test if the reports function as intended to assist the business unit in achieving its operational objectives:

- Sampled an exception report from each team in Account Integrity and Special Benefits Services to walkthrough staffs review of the identified exceptions.
- Discussed internal controls and procedures in place to manage both hard copies and electronic versions of exception reports.

AUDIT RESULTS

Overall, we determined operational procedures were adequate to provide reasonable assurance that staff appropriately reviewed and resolved exception reports potentially affecting the on-time payment of a retired member's benefits payment. However, we identified the following areas where oversight and controls could improve around the exceptions report review process by:

- 1) Consistently reviewing the programming logic used in developing exception reports to verify that exception reports data related to all member records are complete, accurate, and useful to the business unit.
- 2) Periodically reviewing report recipients to ensure that staff only receive reports as needed for their job responsibilities. This also assists management with identifying and deleting obsolete reports and ensures staff in new roles receive the appropriate level of training to understand and validate exception records to minimize LACERA's exposure to risks and liabilities.
- 3) Improving the archiving process for hard copy paper reports by limiting reports to electronic copy or appropriately tracking and destroying reports per LACERA's records retention program.

Specific details of the observations, recommendations, and management responses are detailed below.

Issue #1: Benefit exception reports data lacked completeness, accuracy and usefulness.

During our discussions with staff regarding their exception reports review procedures and as part of our report testing, we noted several instances where data on the exception reports lacked completeness, accuracy, and usefulness. Internal Audit performed a detailed review of records for at least one exception report in five of the six Account Integrity Services (AIS) and Special Benefits Services (SBS) teams, as the Benefits Protection Unit currently does not receive exception reports. Based on our analysis, we identified errors in each of the reports ranging from false positives, inaccurately classified records, missing time periods or unknown error types. Due to the completeness and accuracy issues as noted, in addition to the unknown error types printed on the reports, staff in AIS and SBS have determined that all records in an exception report would require validation, however time, resource constraints and competing priorities limited staffs' ability to consistently perform this function.

Recommendation

1. Benefits and Systems management should collaboratively implement a consistent process to evaluate exception reports data for completeness, accuracy, and usefulness. The process should include steps to maintain an inventory of current reports and error types and identify reports that have inaccurate or irrelevant data. This will enhanced staff's understanding of the content in the exception reports and ensure information that management and staff rely upon to make judgments regarding member accounts are meaningful and does not negatively impact LACERA's fiduciary duty to maintain the fund.

Management Response

Management agrees with the recommendation and will establish a system for routinely reviewing and, as needed, modifying systems-generated exception reports used by the Benefits Division. The Benefits Process Management Group will work in conjunction with LACERA's Compliance Office and Systems to address this challenge within the framework of LACERA's Compliance Program and LACERA's strategic vision. Management anticipates completing an evaluation of the key exception reports by June 30, 2020. Management also anticipates performing an ongoing analysis of exception reports as part of a future project to reengineer the application that produces the exception reports. The project is currently in the planning stage and is part of LACERA's long-term strategic plan.

Issue #2: Management should assess the associated risks and liabilities to LACERA if reports are not reviewed.

In addition to the exception reports that alert staff to errors in the automated batch jobs, other reports are routinely generated that identify certain instances where a member's account may

need further staff review such as the "Missing Contributions," "Outlawed Checks" and "Deferred/Inactive Member" files. The "Missing Contributions" file contains members who could be underpaying their required contributions, while the "Outlawed Checks" file contains a listing of outstanding stale dated checks and the "Deferred/Inactive Member" file contains members who could potentially be required to take a minimum distribution for federal tax purposes. Per inquiry with staff in Account Settlement Unit, Internal Audit noted that due to competing priorities, false positive records as previously identified, time constraints, and limited staff resources, staff would often prioritize reviewing reports and processes that affect the on-time benefit payment for retired members over these reports. By doing so, there is an increased risk that significant errors are missed and not corrected which eventually become financially detrimental to our members. Internal Audit further noted, prior to our audit, the Benefits Division was already aware of the potential risk of not reviewing these reports and had already begun separate special projects to address the underlying issues in lieu of focusing on validating records in the exception reports. The Process Management Group (PMG) in Benefits is currently managing these special projects.

Recommendation

2. Benefits management should continue working with the PMG group to evaluate and refine the exceptions reports review process however, management should also consider developing a process that includes:
 - a. Identifying a complete population of key reports and documenting the purpose of each report
 - b. Documenting LACERA's exposure to additional risks and liabilities associated with the information in those key reports
 - c. Defining procedures to consistently validate the completeness and accuracy for those reports when changes occur to business rules or the law

Management Response

Management agrees with the recommendation and will consider these factors as it establishes a system for managing the exception reports. Management anticipates completing this recommendation by June 30, 2020.

Issue #3: Management should review the record retention process in the Report Control Center

The Report Control Center (RCC) is the Benefits process for managing the large volume of reports that automatically print throughout the month. Staff assigned to the RCC are responsible only for collecting and sorting the printed reports, distributing them to the appropriate staff for review, and filing the reports that staff signed off. During our walkthrough of the RCC process, we observed that hard copies of the reports for the current and prior fiscal years are stored in

locked cabinets in the Benefits Division suite due to the sensitive member data contained in each report. We confirmed that staff generally keep the cabinets locked at all times, including during normal business hours, and only a select number of staff have access to the cabinet keys. While this practice ensures that visitors and other employees who are not authorized do not inadvertently access sensitive information, we noted however that older RCC reports were exposed to such risks during the archiving process. RCC reports when archived to the basement of the building or off-site to Iron Mountain are placed into boxes that are not further secured and removed by staff in Administrative Services or the vendor.

Recommendation

3. Benefits management should review and establish retention cut-off dates in the Report Control Center (RCC) to ensure that reports are destroyed after a certain time period to mitigate any potential information security risks. Benefits should also perform an inventory of currently stored reports and destroy reports no longer needed.

Management Response

Management agrees with the recommendation and will enforce LACERA's document retention policies in the Report Control Center (RCC). Management has instructed staff to work with the Records and Information Management (RIM) Unit to compile an inventory of all stored reports by December 31, 2019 and destroy reports no longer needed by March 31, 2020.

Issue #4: The administrative process for deleting obsolete or invalid exception reports requires improvement.

To determine timely deletion of obsolete or invalid exception reports, Internal Audit requested a listing of all current, retired, and transferred staff in both the Account Integrity Services and Special Benefit Services groups and a list of all reports sent those individuals. We noted two employees, who retired from LACERA during the first quarter of 2019, were still listed as active recipients.

We noted a contributing factor for the error was the lack of documented policies and procedures for consistently reviewing exception report content, report recipients and notifying Systems when a report was obsolete or a user should stop receiving a report. Prior to our audit, the Benefits Division had recognized the need to develop procedures for cleaning up the high volume of exception reports sent to the Division and currently has plans to work with Systems to define an appropriate process going forward. We should also note that the two retired staff members Internal Audit identified have since been removed from the active recipient lists for those reports.

Recommendation

4. Benefits and Systems management should implement a formal periodic review process to evaluate exception reports data and recipients and establish policies and procedures to delete obsolete exception reports and recipients. A formalized review process, policies and procedures would help ensure that reports continue to assist the business unit achieve its operational objectives, obsolete reports are deleted timely and recipients only receive reports commensurate with their job responsibilities.

Management Response

Management agrees with the recommendation and will consider these factors as it establishes a system for managing the exception reports. Management anticipates defining the review process, policy and procedures, as well as implementing this recommendation by June 30, 2020.

Issue #5: Management should assess the administrative and resource costs to LACERA for expenses related to managing the exception reports process.

Internal Audit noted during our discussions as well as during our sample report testing, several instances where exception reports containing hundreds of pages of data as well as numerous cover pages automatically print. One report in particular contained over 450+ pages and was configured to print twice a month while another report that printed daily had a total of 69 pages of which 38 contained cover page type information such as report name, recipient and database name. Per inquiry with staff in the Report Control Center as well as other areas that receive automatically printed reports, we noted that Benefit's staff have dedicated portions of their day to ensure the printers had paper at all times and that all exception reports pages were collected and sorted. Furthermore, Systems helpdesk staff would often automatically replace the ink and toner for those printers on a set schedule.

Recommendation

5. Benefits and Systems management should collaboratively work to determine if all hard copy reports can be limited to electronic copy and allow staff to print only the reports and/or pages of the report that are needed.

Management Response

Management agrees with the recommendation and will consider these factors as it establishes a system for managing the exception reports. Benefits management anticipates completing an evaluation of the hard copy exception reports and Systems management has confirmed it is ready to convert those reports to electronic copies at the direction of Benefits by June 30, 2020.

CONCLUSION

We determined operational procedures were adequate to provide reasonable assurance that staff appropriately reviewed and resolved exception reports potentially affecting the on-time payment of a retired member's benefits payment. However, we identified a few specific control area where oversight and controls could improve. LACERA management agreed with all of our recommendations and has begun implementing or developing management actions plans to address the recommendations.

Internal Audit would like to express our gratitude to the Benefits and Systems Divisions for their assistance and cooperation with our audit.

REVIEWED AND APPROVED



Date: November 22, 2019

Richard Bendall
Chief Audit Executive

REPORT DISTRIBUTION

2019 Audit Committee
Rick Wentzel

Santos Kreimann
J.J. Popowich
Steven Rice

James Brekk
Bernie Buenaflor
Internal Audit Staff



February 20, 2020

TO: 2020 Audit Committee
Vivian H.Gray
David Green
Keith Knox
Gina V. Sanchez
Herman B. Santos

Audit Committee Consultant
Rick Wentzel

FROM: Richard Bendall 
Chief Audit Executive

Kristina Sun ^{KS}
Senior Internal Auditor

FOR: March 4, 2020 Audit Committee Meeting

SUBJECT: **Timekeeping Audit**

RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report to take the following action(s):

- 1. accept and file report and/or,**
- 2. instruct staff to forward report to Boards or Committees and/or,**
- 3. provide further instruction to staff.**

ENGAGEMENT REPORTS

- a. Timekeeping Audit
Kristina Sun, Senior Internal Auditor
(Report issued: November 22, 2019)

Attachments

KS



LACERA INTERNAL AUDIT DIVISION

Timekeeping Audit

November 22, 2019

AUDIT PERFORMED BY:

Kristina Sun, CPA, CIA
Senior Internal Auditor

EXECUTIVE SUMMARY

As part of the Fiscal Year (FY) 2018-2019 audit plan, the Internal Audit (IA) performed a review of the existing timekeeping process. Timekeeping is the process by which an employee records hours worked and variance time. The timekeeping process is supported by the Los Angeles County's electronic human resources system (eHR system) capable of performing payroll, time and attendance, and human resources functionalities.

LACERA's Human Resources (HR) Division oversees the timekeeping function; however, LACERA has a decentralized timekeeping process. Each division has designated timekeepers and proxies that help facilitate the timekeeping process. A timekeeper is a designated individual responsible for monitoring staff's time and attendance. A proxy is a designated individual authorized to enter and submit a timesheet on behalf of other employees.

Division managers are ultimately responsible for the accuracy of staff's submitted timesheets. The scope of this audit did not include validating the accuracy of time reporting within divisions.

Overall, we found the timekeeping process operates effectively with support by Human Resources. However, Internal Audit identified the following areas where HR could improve their oversight and the controls around timekeeping by:

- 1) Developing formal timekeeping policies and procedures to promote consistency and compliance
- 2) Centrally tracking timekeeper and proxy roles in each division
- 3) Providing ongoing timekeeping training to ensure staff are well-informed on the latest policies and procedures

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INTRODUCTION

As part of the Fiscal Year (FY) 2019-2020 audit plan, the Internal Audit (IA) Division was engaged to perform a review of the existing timekeeping process.

Timekeeping is the process by which an employee records hours worked and leaves taken. The timekeeping process is supported by the Los Angeles County's electronic human resources system (eHR system) capable of performing payroll, time and attendance, and human resources functionalities. Access to the eHR system is only available on-site at LACERA to employees via a company computer.

BACKGROUND

LACERA's Human Resources (HR) Division oversees the timekeeping function; however, LACERA has a decentralized timekeeping process. Each division has designated timekeepers and proxies that serve as control points for the timekeeping process. Depending on the division size, multiple timekeepers and proxies, including back up designees, exist to provide full coverage for the staff.

Timecards are due twice a month and are completed by an employee or a proxy. While a majority of timecards are submitted electronically via the eHR system, HR prepares manual timecards for LACERA staff in certain situations such as medical leave. Our scope focused on the timecards processed through the eHR system.

A timekeeper is a designated individual responsible for monitoring staff's time and attendance. A proxy is a designated individual authorized to enter and submit a timesheet on behalf of other employees. Proxies are used in situations where the employee is out of the office when their timesheet is due. In general, proxies should not approve the timesheets that they submit.

Division managers are ultimately responsible for the accuracy of staff's submitted timesheets. The scope of this audit did not include validating the accuracy of time reporting within divisions.

AUDIT OBJECTIVE

- Review organization-wide timekeeping and reporting processes to assess accuracy of staff timecards and effectiveness of related internal controls

AUDIT METHODOLOGY

- Interviewed HR management and timekeeping staff on current work processes
- Performed a walkthrough to obtain an understanding of the timekeeping process
- Conducted questionnaires/surveys to divisional timekeepers and proxies on current timekeeping practices

- Since the timekeeping practice is decentralized, we conducted a survey of divisional timekeeping practices to every timekeeper and proxy
- Reviewed applicable LACERA human resources policies related to timekeeping for compliance

AUDIT SCOPE

- Review decentralized timekeeping process in all divisions and oversight by HR, with focus on segregation of duties controls, general internal controls, manual adjustment controls, and eHR System controls
- The scope of this audit does not include validating the accuracy of time reporting at the divisional level.

AUDIT RESULTS

Internal Audit reviewed policies, procedures, and documentation provided by Human Resources (HR) Division and conducted a timekeeping survey by means of a self-evaluation questionnaire to identified timekeepers and proxies. The questionnaire was developed by Internal Audit and sent to 22 LACERA staff across 15 LACERA divisions. The questionnaire focused on understanding of current timekeeping policies and procedures, training, supervision and backup, and utilization of the eHR system and its capabilities. Internal Audit also solicited feedback on any concern and difficulty that the timekeepers and proxies experienced with the current timekeeping process.

Overall we found the timekeeping process operates effectively with support by Human Resources. Based on a 91% response rate to the timekeeping questionnaire, the responses to the survey were generally positive. However, as a result of the questionnaire responses and Internal Audit's review of the current timekeeping process, we identified the following areas to further strengthen the process:

- 1) Timekeeping Policies and Procedures: Internal Audit obtained and reviewed the only written documentation provided by HR which was a 12-pages document titled *Quick Guide to Timesheet Submission* ("HR Guide"). The HR Guide was limited to brief instructions on how to submit one's own timecard in the eHR system. No other LACERA documentation related to timekeeping was provided by HR or available on LACERA's Intranet site.

LACERA does not have a standard set of timekeeping policies or procedures. Human Resources (HR) management is responsible for designing control activities through formal policies and procedures that are written, dated, and signed. It would reduce potential risks such as inaccurate hours being recorded in the eHR system, inaccurate pay codes used for leaves or absences, and most importantly, inaccurate payroll.

Under the current timekeeping process, when a question or issue arises during the current timekeeping process, the timekeepers call a HR Staff for assistance. The inquiry topic ranges from experiencing eHR system glitches to asking about which pay code is appropriate to use. The latter issue stems from the numerous job types that exist at LACERA: Exempt, Non-Exempt, Represented, and Non-Represented. Each job type is entitled to different benefits and correspondingly, each job type has different pay codes for reporting variance time.

Based on survey responses, we identified several best practices that are employed by some LACERA divisions:

- The Division Manager creates divisional timekeeping procedures that are distributed and acknowledged by staff.
- Staff utilize the eForms function within the eHR system for time-off requests.
- A divisional calendar is shared among staff to track time off activities and enhance transparency.

Having formal timekeeping policies and procedures would serve as stronger, more effective internal controls. It would further promote consistency and efficiency throughout the timekeeping process.

Recommendations

1. HR should develop formal timekeeping policies and procedures to promote consistency and compliance within LACERA. This includes understanding which Los Angeles County human resources laws and policies are applicable to LACERA.
2. HR should track frequently asked questions and create a FAQ or equivalent document to educate staff and increase effectiveness of timekeeping process.

Management Response

Management agrees with the recommendations. Human Resources Division developed a draft timekeeping policy and procedures along with a draft guide to timesheet coding and submission that is pending release of the new employee handbook. The estimated completion date is March 31, 2020. Additionally, the FAQs are scheduled to be posted on the Intranet by December 6, 2019. Human Resources Division will send the timekeeping policy and procedures annually to all Staff Members and update the FAQs on the Intranet as needed.

- 2) Timekeepers and Proxies Listing: A listing of the divisional timekeepers and proxies, including backup personnel, is not maintained. During the questionnaire evaluation process, Internal Audit identified certain divisions without a designated backup timekeeper and/or proxy, of which HR serves as the backup role. We noted it would be beneficial to have a designated backup staff within the division who can actively monitor staff's time for timekeeping accuracy.

Additionally, a temporary timekeeper may be assigned when the regular timekeeper and backup timekeeper are out on leave. We noted an instance where the temporary timekeeper's access was not revoked once their short-term assignment ended. Proper documentation from HR would ensure that timekeeping supervision is appropriately delegated and sufficient segregation of duties are in place.

Recommendation

3. HR should track who performs the roles and responsibilities of timekeeper and proxy, including any backup role within each division, to ensure that an appropriate segregation of duties is maintained. Temporary timekeepers and proxies should also be tracked to ensure approval and access rights are terminated when no longer needed.

Management Response

Management agrees with the recommendations. Human Resources will create a policy and formal process for the Divisions to follow to appoint or remove staff members as timekeepers and proxies, including any backup role within each division. Based upon this, Human Resources Division will create and maintain a list of timekeepers and proxies, including any backup role within each division. Human Resources will update the list accordingly. The estimated completion date is March 31, 2020.

- 3) Timekeeping Training: A common feedback from the respondents was the request for additional training or periodic refresher courses on timekeeping. In the past, timekeeping training were held sporadically and infrequently. For new timekeepers and proxies, they often do not receive timekeeping training before they take on the roles and responsibilities of being a timekeeper or proxy. For seasoned timekeepers and proxies, they were not consistently provided with refresher courses once the initial training was provided.

Recommendation

4. HR should create a documented process to ensure training is provided timely to new timekeepers and proxies as well as refresher training to existing timekeepers, proxies, and their supervisors. Internal Audit recommends the documented process occurs on an annual basis at each division.

Management Response

Management agrees with the recommendation. Upon notification of a new timekeeper, Human Resources will schedule training with the newly appointed timekeeper. In addition, Human Resources will schedule training twice a year for all timekeeper and proxies. The estimated completion date is March 31, 2020.

Internal Audit would like to express our gratitude to Human Resources Management and staff for their cooperation, assistance, and time during the course of this review.

REVIEWED AND APPROVED



Richard Bendall
Chief Audit Executive

Date: November 22, 2019

REPORT DISTRIBUTION

2019 Audit Committee
Rick Wentzel

Santos Kreimann
J.J. Popowich
Steven Rice

Annette Cleary
Internal Audit Staff



February 20, 2020

2020 Audit Committee
Vivian H. Gray
David Green
Keith Knox
Gina V. Sanchez
Herman B. Santos

Audit Committee Consultant
Rick Wentzel

FROM: Richard Bendall 
Chief Audit Executive

FOR: March 4, 2020 Audit Committee Meeting

SUBJECT: **Internal Audit Risk Assessment Process**

Internal Audit performs a risk assessment in accordance with the Internal Audit Charter and Institute of Internal Auditors (IIA) Professional Standards to use in the development of the Annual Audit Plan. Our risk assessment approach begins with you, the Audit Committee, at the March meeting. The intent of the following presentation is to explain our approach and share with you the criteria and process we plan to use in evaluating risk.

We look forward to your feedback and input regarding risk at LACERA and our risk assessment process. We will bring our completed risk assessment along with our Audit Plan for the fiscal year ending June 30, 2020 to your Committee for approval at your next meeting.

RB:lc
Attachment

Risk Assessment Process

FYE 2020

March 4, 2020 | Audit Committee Meeting

Audit Plan

INTERNAL AUDIT PLAN FYE 2020			
Audit/Project	Project Type	Audit Assignment/ Vendor	Status
MANAGEMENT, GOVERNANCE & COMPLIANCE			
1. Business Continuity/Disaster Recovery	Consulting	TS, RB, GL	Ongoing
2. Wireless Devices Audit (NEW)	Audit	SV	In Progress
3. Contract Management Audit	Audit	KT	In Progress
4. Employee Overtime Audit	Audit	TS	In Progress
5. Strategic Planning/Budget Process	Consulting	RB, TS	Completed
6. LACERA Fraud & Ethics Hotline	Organizational	KT	Completed
7. LA County Audit Oversight (NEW)	Consulting	LC, RB, CL	In Progress
8. Ethical Cultural Assessment (NEW)	Audit	KT, RB, LC	Completed
9. Form 700 Compliance Audit	Audit	TS, RB	Start: May 2020
10. Continuous Auditing Program (CAP)	Audit	NA, GT	Ongoing
11. Timecard Review	Audit	TS	Report Issued 11/22/19
12. Corporate Credit Card Audit	Audit	KT, NA	Start: May 2020
13. Privacy Audit Reco Coordination	Consulting	TS	Ongoing
14. Compliance Committee	Consulting	CL, RB	Ongoing
15. Strategic Goals Team Participation	Consulting	LC, RB	Ongoing
16. Quality Assurance Improvement Program	Admin	CL, RB, LC	In Progress
17. Risk Assessment – FYE 2021	Admin	LC, RB	Start: May 2020
18. Internal Audit Operations Guide Update	Admin	LC, RB, CL	In Progress
19. Fiduciary Review	Consulting		Removed
20. Inventory Process Consulting	Consulting		Removed
BENEFITS ADMINISTRATION			
21. Account Settlement Collection Audit	Audit		Deferred to FY 2021
22. Benefits Exception Report Audit	Audit	SV	Report Issued 11/22/19
23. Quality Assurance Operations Review	Audit	KT	Start: March 2020
24. Member Benefits Calculation Audit	Audit	NA	Start: March 2020
25. Member Authentication Process	Consulting	GL, GT	In Progress
26. Death Legal Process Audit	Audit	NA	In Progress
27. Foreign Payee Audit	Audit	NA	In Progress
28. Member Appeal Process Review	Audit		Removed
29. Member Call Center Monitoring Review	Audit		Removed
INFORMATION SYSTEMS			
30. External Penetration Testing	Audit	Clear Skies	TBD
31. Web Portal Review	Audit	Clear Skies	In Progress
32. Database Review	Audit	SV, GL, GT	In Progress
33. SOC Readiness Assessment (NEW)	Consulting	CL	In Progress
34. Cyber SIEM Review	Audit	GT	Start: February 2020
35. Privilege Access Review	Audit	GT, SV	Start: April 2020
36. Third Party Data Security Review	Audit	SV	Start: March 2020
37. Project Management Review	Audit		Removed
FINANCIAL & INVESTMENT OPERATIONS			
38. External Financial Audit - Oversight	Audit	Plante Moran	Start Date: April 2020
39. THC RE Financial Audits - Oversight	Audit	External Audit	Completed
40. Real Estate Advisor Reviews	Audit	External Audit	In Progress
41. Accounts Payables Audit	Audit	TS	Start: March 2020
42. Investments Due Diligence Review	Audit	KT	Start: June 2020
43. Actuarial Services - Oversight	Consulting	SV	In Progress
44. Custodial Bank Services	Consulting	TS	On Going
45. Investment Data Controls Review	Audit		Removed

Risk Perspectives

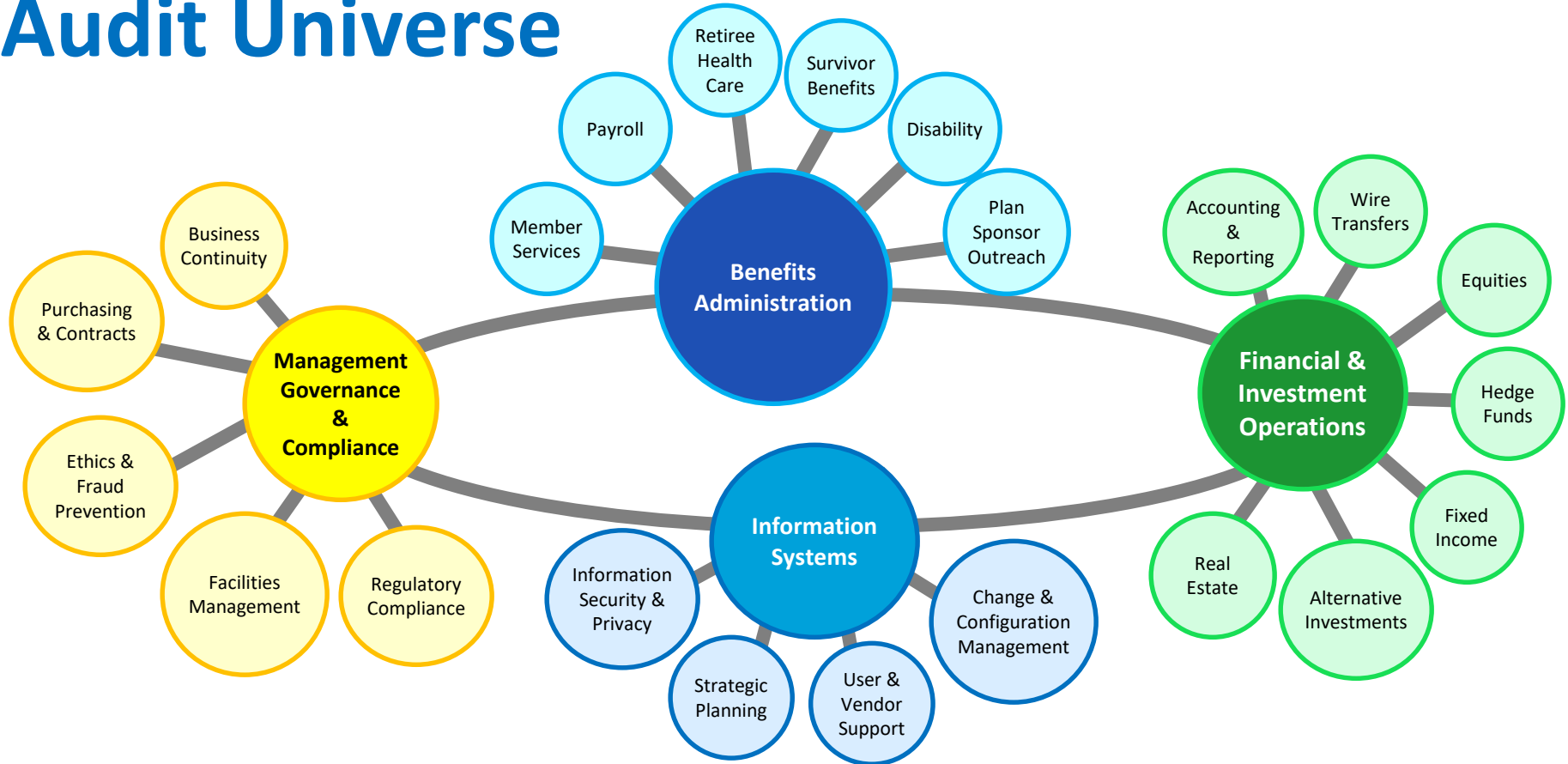


Risk Assessment Process

The diagram here represents our Risk Assessment Process to be discussed in detail in the following section.



Audit Universe



Risk Assessment Survey

Internal Audit
Risk Assessment Survey | FYE 2020-21

LACERA
Los Angeles County Employees Retirement Association

Division: _____ **Survey Completed By:** _____ **Date:** _____

Instructions: Please answer the following questions to the best of your ability. When answering the questions, you should consider risks associated with work processed within your division and controls implemented to address those risks. Feel free to add additional pages or documents as needed. Thank you!

OPERATIONAL OBJECTIVES	
1. What are the key objectives/goals of your division?	
2. What are the most significant operational limitations that will prevent your division from accomplishing your divisional objectives? <i>Describe at a high level.</i>	
3. Are there any delays or backlogs in processes performed in your division? Why have they occurred?	
4. Are there any 2019-2020 strategic goals tied to work processes within your division?	
5. List significant processes or procedures in your division that are not documented with written procedures.	
6. Are there any specific control weaknesses or areas where controls could be further enhanced through additional segregation of duties or levels of approval, etc.? If so please describe at a high level.	
SIGNIFICANT CHANGES	
7. Have there been any significant staffing changes in the past year? How did these staffing changes impact your division?	
8. List new legislative mandates that have or will impact your division.	
9. List new (or significant changes to) processes or work functions established in your division within the past year. How has this impacted your division? Do you anticipate any significant changes in fiscal year 2019-2020?	
PRIVACY	
10. Do you have divisional privacy policies or procedures?	
11. Describe processes in your division where member data is sent outside of the organization (e.g., other agencies, financial institutions, doctor's offices).	
12. Do any vendors you oversee have access to LACERA confidential data (membership information or investment information bound by non-disclosure	

Fraud Risk Mitigation

- Continuous Fraud Testing
 - New Member Payroll
- Fraud Risk Considered in Every Audit
- Fraud Hotline

Questions?





FOR INFORMATION ONLY

February 20, 2020

TO: 2020 Audit Committee
 Vivian H. Gray
 David Green
 Keith Knox
 Gina V. Sanchez
 Herman B. Santos

Audit Committee Consultant
 Rick Wentzel

FROM: Richard Bendall 
 Chief Audit Executive

Gabriel Tafoya 
 Senior Internal Auditor

FOR: March 4, 2020 Audit Committee Meeting

SUBJECT: **Recommendation Follow-Up Report**

Internal Audit reports to the Audit Committee at each meeting the status of all outstanding audit recommendations - Audit Recommendation Follow-up summary report – **Attachment A.**

Please note, since the December 2019 Audit Committee meeting, at which time there were thirty-six (36) outstanding audit recommendations:

- Eleven (11) were implemented, three (3) in Admin Services, one (1) in Benefits, three (3) in FASD, three (3) in Human Resources and one (1) in Systems Division.

As of the March 2020 Audit Committee meeting, there are currently twenty-five (25) recommendations outstanding. A breakdown of outstanding recommendations by Division is represented in the following matrix.

	Admin Services	Benefits	FASD	HR	Investments	Systems
Beginning (36)	4	10	13	4	1	4
New	0	0	0	0	0	0
Implemented	3	1	3	3	0	1
Ending (25)	1	9	10	1	1	3

Recommendation Follow-Up Report

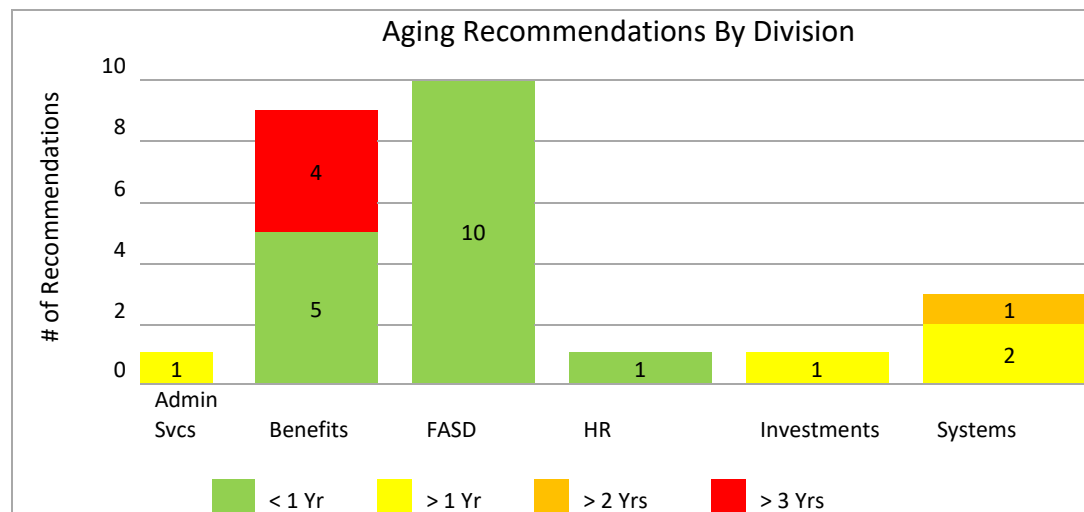
February 20, 2020

Page 2

As you can see from the next chart, there are five (5) outstanding recommendations over two years old, sixteen (16) are less than one year old and twenty (20) of the twenty-five outstanding recommendations are less than two years old.

Internal Audit Issues Tracking	Open Findings					
	Total Open	Implemented	< 1 Year	> 1 Year	> 2 Years	> 3 Years
	25	11	16	4	1	4

The chart below presents a graphical representation of outstanding recommendations by age in each division.



Internal audit is working with Management toward a goal that all recommendations are implemented within two years and that high-risk recommendations are expedited. While we currently do not rate audit recommendations by risk, we believe that most of the outstanding recommendations at this time are at least a moderate risk and should be addressed in a timely manner.

Three of the four longest outstanding recommendations in the Benefits Division require collaboration with the Systems Division.

Internal Audit is continuing to offer support to all divisions in addressing their outstanding recommendations. Staff from the respective Divisions will be present at your March 4 meeting to address any questions your committee may have.

IIA Standards

The Institute of Internal Auditors' (IIA) Performance Standard #2500 pertains to monitoring the implementation progress of Internal Audit's recommendations made to Management. The Chief Audit Executive is required to establish and maintain a system to monitor the disposition of Management's corrective results and communicate those results to Executive Management and the Audit Committee.

During the audit process, Internal Audit, as well as external auditors (financial, fiduciary, actuarial, and IT), regularly identify areas where LACERA Management may implement changes to improve risk controls in its processes and Management provides action plans indicating how and when planned improvements will be made. These recommendations and action plans are included in each formal audit report. Additionally, Internal Audit makes recommendations and management identifies improvement plans during Internal Audit consulting assignments. All recommendations and management action plans are documented in Internal Audit's *Recommendation Follow-Up* database.

It is Internal Audit's responsibility to ensure that Management's action plans have been effectively implemented, or in the case of action plans that have yet to be implemented, to ensure that Management remains aware of the risks it has accepted by not taking action. In certain situations, if reported observations and recommendations are significant enough to require immediate action by Management, Internal Audit persistently monitors actions taken by Management until the observed risk is corrected.

It is not the responsibility of the Chief Audit Executive to resolve the risks identified during audit work. However, in accordance with IIA Performance Standard #2600, it is Internal Audit's responsibility to communicate the acceptance of risks when the Chief Audit Executive concludes that Management has accepted a level of risk that may be unacceptable to the organization. As a result of this responsibility, Internal Audit communicates all pending *Management Action Plans* to LACERA's Executive Management and Audit Committee for resolution. In this manner, Internal Audit escalates unsatisfactory responses or lack of Management actions - including the assumption of risk - to the appropriate levels of Executive Management and the Audit Committee.

RB/GT

Attachments

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Administrative Services Division						
Purchasing/ Procurement	Admin Services Division 5/8/2011	<p>Description of Finding: Greater clarity and expansion is needed in LACERA's Purchasing Goods & Services Policy Guidelines and the Purchasing & Contract Administration Manual. The Policy and the Manual are unclear as to 1) what exact level(s) of purchasing approval authority resides with Division Managers, 2) what approval levels are for various portions of contracts, and other specifics discussed with Administrative Services Division.</p> <p>Recommendation: The Administrative Services Division should take action to modify both LACERA's Policy Guidelines and the Manual appropriately for additional precision. The Division should also update and expand the Policy Guidelines and the Manual to include all the procedures, limitations, and controls actually already practiced. Further, the Division should disseminate the updated Policy Guidelines and Manual to all Divisions in LACERA, advising the Divisions as to the changes made.</p>	<p>Original Management Response: The policy guidelines will be reviewed for possible changes by December 30, 2011.</p> <p>Current Status: The purchasing manual and internal procurement procedures have been drafted and are in the review stage. Per the policy, the Executive office is expected to review/approve the manual. Below is our revised timeline: Document to selected reviewers-2/4/2020. Document to Executive Office-2/10/2020. Document completion date-2/17/2020. We will provide Internal Audit a draft copy on 2/4/2020.</p>	Kimberly Hines, Administrative Services Division	12/31/2011 6/17/2013 3/4/2014 11/12/2014 6/24/2015 11/9/2015 6/15/2016 11/3/2016 7/10/2017 2/13/2018 6/26/2018 11/9/2018 6/4/2019 10/7/2019 10/31/2019	Implemented 2/28/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Purchasing/ Procurement	Administrative Services Division 5/8/2011	<p>Description of Finding: The Procurement Unit’s daily operating procedures – the “written desk procedures” – need expansion to provide enhanced control procedures. The existing, written procedures do not include a number of controls, a requirement that an existing control be performed, or a requirement that performance of the control be documented.</p> <p>Recommendation: The Purchasing Unit should update and expand its written, daily operating procedures to conform to the final versions of an updated Purchasing Goods & Services Policy Guidelines and Purchasing & Contract Administration Manual. The daily operating procedures should also include all the controls it already practices as well as the missing controls mentioned above; it should document its execution of all those controls when they are performed, thereby establishing accountability.</p>	<p>Original Management Response: The policy guidelines will be reviewed for possible changes by December 30, 2011.</p> <p>Current Status: The purchasing manual and internal procurement procedures have been drafted and are in the review stage. Per the policy, the Executive office is expected to review/approve the manual. Below is our revised timeline: Document to selected reviewers-2/4/2020. Document to Executive Office-2/10/2020. Document completion date-2/17/2020. We will provide Internal Audit a draft copy on 2/4/2020.</p>	Kimberly Hines, Administrative Services Division	12/31/2011 6/17/2013 3/4/2014 11/12/2014 6/24/2015 11/9/2015 6/15/2016 11/3/2016 7/10/2017 2/13/2018 6/26/2018 11/9/2018 6/4/2019 10/7/2019 10/31/2019	Implemented 2/28/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Purchasing/ Procurement	Administrative Services Division 5/8/2011	<p>Description of Finding: Of the 26 purchase orders selected for detailed review, 17 required that they either be submitted to the bidding process or have documented justification for “sole-sourcing” by the requesting division manager. The required documentation was found in other divisions for 10 of them, and another 4 were evidently sole-sourced as a result of LACERA’s membership in the Western States Contracting Alliance (WSCA). For the remaining 3, no bidding documentation or sole sourcing justification could be found. Details were provided to Administrative Services Division management.</p> <p>Recommendation: The Procurement Unit should periodically promulgate to all other divisions the purchase-cost, bidding requirements and that sole-sourcing requires documented justification by the requesting division manager. The Procurement Unit should include exceptions (such as WSCA purchases) in its written, daily operating procedures. The Procurement Unit should contact FASD and obtain a definitive understanding as to the documentation that will be forwarded to FASD for retention. The Procurement Unit should update and expand its written, daily operating procedures to conform to the final versions of an updated Purchasing Goods & Services Policy Guidelines and Purchasing & Contract Administration Manual.</p>	<p>Original Management Response: The policy guidelines will be reviewed for possible changes by December 30, 2011.</p> <p>Current Status: The purchasing manual and internal procurement procedures have been drafted and are in the review stage. Per the policy, the Executive office is expected to review/approve the manual. Below is our revised timeline: Document to selected reviewers-2/4/2020. Document to Executive Office-2/10/2020. Document completion date-2/17/2020. We will provide Internal Audit a draft copy on 2/4/2020.</p>	Kimberly Hines, Administrative Services Division	12/31/2011 6/17/2013 3/4/2014 11/12/2014 6/24/2015 11/9/2015 6/15/2016 11/3/2016 7/10/2017 2/13/2018 6/26/2018 11/9/2018 6/4/2019 10/7/2019 10/31/2019	Implemented 2/28/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Contract Monitoring Program	Administrative Services Division 6/19/2018	<p>Description of Finding: One area that can be improved is the database management system used to track invoice payments, which is separate from the CMS. The Administrative Services Division uses a Microsoft Access database to monitor the cumulative balances paid to a vendor. These balances are tracked outside of Microsoft Great Plains, LACERA’s accounts payables system. Using Microsoft Access creates additional work, because Administrative Services staff must re-enter information from the invoices into an Access database after the information was already entered by Financial and Accounting Services Division (“FASD”) staff. FASD staff enters invoice information into Microsoft Great Plains in order to pay invoices.</p> <p>Recommendation: Systems Division to work with Administrative Services to integrate Microsoft Great Plains with CMS where practical to minimize redundant work.</p>	<p>Original Management Response: Systems Division agrees with the recommendation and will work with Admin Services to integrate Microsoft Great Plains with CMS where practical to minimize redundant work. The estimated date for implementing this recommendation is October 31, 2018.</p> <p>Current Status: In order for the data correlation to occur, additional data fields must be added into Great Plains. Administrative Services, FASD, and Systems will work together to implement such data points going forward. Administrative Services will also explore alternatives that can mitigate the identified risk. In the meantime Administrative Services will continue to track payments related to contracts to prevent over payments or payments to expired contracts.</p> <p>Systems Division is in agreement with the current proposed date of implementation.</p>	Kimberly Hines, Administrative Services Division James Brekk, Systems Division	10/31/2018	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Benefits Division						
Claims - Process Objectives, Risks, Controls, Process Flows, and Procedural Gaps	Benefits Division 4/12/2012	<p>Description of Finding: Benefit changes to member accounts made by staff (e.g., service credits, OASDI, PIA, member contributions, etc.) during First Payment do not require a secondary review or approval. These changes can significantly impact member benefits. As a best business practice, the duties of authorizing (initiating actions), approving, and processing member benefit transactions into Workspace and IRIS should be assigned in a manner that ensures adequate separation of duties exist. All Benefits staff have access to make these changes in Workspace and IRIS without a secondary electronic approver. First Payment procedures do not require a secondary review. In addition, QA audits only 25% of First Payments. There is a risk that staff may make erroneous or potentially fraudulent changes to member benefits that go undetected, resulting in on-going over or underpayments to the member.</p> <p>Recommendation: Benefits Management should work with Systems to restrict staff access to change member service credits, OASDI, PIA, contributions, etc. unless they have a specific business need. For staff that need access, Benefits Management should (or request Systems to) implement a secondary review or approval procedure when changes are made. If the above recommendations cannot be immediately implemented, Benefits Management should work with Systems to develop a report that identifies these changes and review the report to ensure each change is legitimate.</p>	<p>Original Management Response: Benefits management will review the access list and work with Systems to limit access to those staff with a specific business need. However, implementing a secondary electronic approval for changes made to member service credits, OASDI, PIA, contributions, etc. may cause additional bottlenecks during the Agenda and First Payment process. Therefore, Benefits Management will work with Systems to develop reports that identify changes made between the Agenda and First Payment process. Supervisors will be instructed to review these reports before first payments are issued to ensure that all staff changes are legitimate.</p> <p>Current Status: Planned for completion by 12/31/2020. The Systems Division is in agreement with the current proposed date of implementation.</p>	Bernie Buenafllor, Benefits Division James Brekk, Systems Division	12/31/2012 3/7/2013 3/3/2014 2/17/2015 6/25/2015 10/29/2015 11/9/2015 6/22/2016 11/1/2016 11/8/2017 7/2/2018 10/31/2018 10/7/2019	Pending 12/31/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Previous service to contracts (QC/QA/CP)	Benefits Division 7/2/2013	<p>Description of Finding: In instances where OPA cases are passed along to other Benefits Division staff (for various reasons), we noted that the Benefits staff person is required to re-create the member's timeline in Workspace even though a timeline was already created by the staff who initially reviewed the member's account, and the member's work history did not change.</p> <p>Recommendation: When a members account needs to be re-reviewed by staff who did not perform the initial review, Management should evaluate the feasibility of requiring the secondary staff to rely on the initial timeline created. Additionally, Management may want to consider re-designing the process to have designated staff document timelines on the front end of the process before the cases are assigned to staff. Since timelines eventually get reviewed by QC Checkers, there are safeguards in place to help ensure inaccuracies are identified before the cost letters are sent.</p>	<p>Original Management Response: Benefits will work with Quality Assurance to identify ways to 'certify' membership timelines and other work product so that they can be relied upon in completing future transactions for the same members.</p> <p>Current Status: PMG, QA, Benefits and Exec discussed repositioning the current inline process so that once an auditor, supervisor or other qualified staff determine the case is Verified, such re-work will be eliminated. Planned for completion by 06/30/2020.</p>	Bernie Buenaflor, Benefits Division	6/30/2014 6/26/2015 10/29/2015 6/22/2016 11/1/2016 7/2/2018 10/31/2018 6/18/2019	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Member Minor Survivor Compliance	Benefits Division 6/29/2016	<p>Description of Finding: We identified three instances where LACERA staff did not obtain one of the required documents prior to paying the minor survivor. Specifically, we noted: Two instances where the minor's account did not have a birth certificate on file. One instance where the minor's account did not have a claim form on file. We also noted that staff did not have desk procedures to determine which documents were required to determine the minor's eligibility.</p> <p>Recommendation: We recommend that the Benefits Division develop a procedural manual, provide staff additional training, and improve the review and approval process to ensure all required documents for minor survivor payees are valid and on file prior to payments being initiated.</p>	<p>Original Management Response: The Benefits Division Process Management Group and the Special Benefits Services Section is currently developing the documented procedures and training material to address the recommendation to provide staff additional training, and improve the review and approval process to ensure all required documents for minor survivor payees are valid and on file. Procedures and training materials will be created and implemented by June 30, 2017, approximately.</p> <p>Current Status: We plan to also work with the Systems Division to automate as much of this as possible. We plan to move resources around to accommodate this deadline.</p> <p>Planned for completion by 6/30/2020.</p> <p>The Systems Division is in agreement with the current proposed date of implementation.</p>	Bernie Buenaflor, Benefits Division James Brekk, Systems Division	6/30/2017 11/9/2017 7/2/2018 2/14/2019 10/31/2019	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Duplicate Member Payments	Benefits Division 1/19/2017	<p>Description of Finding: To enhance the efficiency and effectiveness of the special payment approval process, we recommend that the Benefits Division work with the Systems Division to automate the remaining special payments processes that are currently approved manually. We also recommend that the Benefits and Systems Divisions work with Internal Audit during its development to help ensure that proper internal controls are designed into the automation process and that necessary data points are captured that will assist with post-transaction analytics and reporting.</p> <p>Recommendation: <ol style="list-style-type: none"> 1. Benefits Division work with the Systems Division to automate the approval of those special payments processes where approvals are currently performed manually. 2. Benefits and Systems Divisions work with Internal Audit during its development to help ensure proper controls are designed into the automation process and that proper data points are captured that will assist with post-transaction analytics and reporting. </p>	<p>Original Management Response: Automating the approval process for special payments is feasible; however, special payments are initiated from multiple sources in Workspace. Each source will need to be analyzed and then specifications developed and tailored to each individual source. As such, the approval process would need to be implemented in a phased approach. Internal Audit will be included in the implementation process to ensure proper controls and reporting. There are some significant organizational goals that need to be completed before this modification can be addressed. It is estimated that determining the requirements and the level of effort can begin in the next fiscal year, July, 2017. The results of the requirement gathering will be reported to management by December 31, 2017, so that the project can be prioritized. Current Status: Planned for completion by 06/30/2020.</p> <p>The Systems Division is in agreement with the current proposed date of implementation.</p>	Bernie Buenaflor, Benefits Division James Brekk, Systems Division	12/31/2017 10/31/2018 10/7/2019	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Member Death Record Process	Benefits Division 10/31/2017	<p>Description of Finding:</p> <p>We noted that management did not have a process for ensuring that the Death Verification Contractor (DVC) has strong controls for securing and safeguarding LACERA's member data. Specifically: Management did not request a SOC2 report from the DVC. Internal Audit subsequently reached out to the DVC and found that they had a SOC2 audit performed in April, 2016. In reviewing the SOC2 report, we found that the DVC had recently changed the facility for where their servers are maintained and located, which houses LACERA's member data. However, LACERA management was unaware of the change and had not performed due diligence to ensure that the new facility was secure. Management does not have a process for performing on-going due diligence of the DVC information technology (IT) infrastructure to determine its adequacy.</p>	<p>Original Management Response:</p> <p>The Benefits Division concurs with the recommendation. LACERA's Compliance Program Team and Privacy Officer will develop a system for regularly verifying that LACERA's external partners who take custody of LACERA's confidential information maintain adequate protections over that information. It is anticipated that the control system will be in place by December 31, 2018.</p> <p>Additionally, the Benefits Division will work with LACERA's Compliance Team and Privacy Officer to develop a system for monitoring the DVC and other external vendors with whom the Benefits Division contracts to ensure LACERA's member data is secure. We anticipate completing this by March 31, 2018.</p>	<p>Bernie Buenaflor, Benefits Division</p> <p>Kimberly Hines, Administrative Services Division</p> <p>James Brekk, Systems Division</p>	12/31/2018	Implemented 1/31/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
		<p>Recommendation: The Benefits Division should consult the LACERA Compliance Program Team related to the enhanced requirements for managing and monitoring vendors that have custody of LACERA member data. This may include the need to revise contract language, enhance oversight and due diligence procedures, and coordinate a visit to the vendor(s).</p>	<p>Current Status: The Contract Management System (CMS) has been implemented and is operating as designed. Benefits has obtained and forwarded at least one SOC-2 report, along with the vendor contract from LACERA's DVC to Systems, Legal, Internal Audit and Admin Services, for their appropriate due diligence per the established CMS process. The Benefits Protection Unit (BPU) will continue to monitor and respond to contract notifications from CMS. Furthermore, Benefits Management will cooperate with LACERA's planned Compliance Program as needed to ensure that the DVC remains in compliance with LACERA's policies and best practices. Completed as of January 31, 2020.</p>			

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Benefits Exception Report Audit	Benefits Division 11/22/2019	<p>Description of Finding: During our discussions with staff regarding their exception reports review procedures and as part of our report testing, we noted several instances where data on the exception reports lacked completeness, accuracy, and usefulness. Internal Audit performed a detailed review of records for at least one exception report in five of the six Account Integrity Services (AIS) and Special Benefits Services (SBS) teams, as the Benefits Protection Unit currently does not receive exception reports. Based on our analysis, we identified errors in each of the reports ranging from false positives, inaccurately classified records, missing time periods or unknown error types. Due to the completeness and accuracy issues as noted, in addition to the unknown error types printed on the reports, staff in AIS and SBS have determined that all records in an exception report would require validation, however time, resource constraints and competing priorities limited staffs' ability to consistently perform this function.</p> <p>Recommendation: Benefits and Systems management should collaboratively implement a consistent process to evaluate exception reports data for completeness, accuracy, and usefulness. The process should include steps to maintain an inventory of current reports and error types and identify reports that have inaccurate or irrelevant data. This will enhance staff's understanding of the content in the exception reports and ensure information that management and staff rely upon to make judgments regarding member accounts are meaningful and does not negatively impact LACERA's fiduciary duty to maintain the fund.</p>	<p>Management Response: Management agrees with the recommendation and will establish a system for routinely reviewing and, as needed, modifying systems-generated exception reports used by the Benefits Division. The Benefits Process Management Group will work in conjunction with LACERA's Compliance Office and Systems to address this challenge within the framework of LACERA's Compliance Program and LACERA's strategic vision. Management anticipates completing an evaluation of the key exception reports by June 30, 2020. Management also anticipates performing an ongoing analysis of exception reports as part of a future project to reengineer the application that produces the exception reports. The project is currently in the planning stage and is part of LACERA's long-term strategic plan.</p> <p>Current Status: Based upon an initial evaluation of some exception reports for accuracy and completeness, Management determined that resource constraints in both Benefits and Systems would prevent management from performing an adequate evaluation of all key exception reports by the original anticipated completion date. Management further</p>	Bernie Buenaflor, Benefits Division James Brekk, Systems Division	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
			<p>determined in lieu of performing an evaluation of key exception reports by June 30, 2020, a more effective approach would be to evaluate how exceptions are identified and reported to staff for resolution. Management anticipates performing an analysis of the exceptions process and meeting with the Executive management team to discuss how the organization will address this area as part of LACERA's long-term strategic plan. Management anticipates completing this analysis and meeting with the Executive management team by June 30, 2020.</p>			

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Benefits Exception Report Audit	Benefits Division 11/22/2019	<p>Description of Finding:</p> <p>In addition to the exception reports that alert staff to errors in the automated batch jobs, other reports are routinely generated that identify certain instances where a member’s account may need further staff review such as the “Missing Contributions,” “Outlawed Checks” and “Deferred/Inactive Member” files. The “Missing Contributions” file contains members who could be underpaying their required contributions, while the “Outlawed Checks” file contains a listing of outstanding stale dated checks and the “Deferred/Inactive Member” file contains members who could potentially be required to take a minimum distribution for federal tax purposes. Per inquiry with staff in Account Settlement Unit, Internal Audit noted that due to competing priorities, false positive records as previously identified, time constraints, and limited staff resources, staff would often prioritize reviewing reports and processes that affect the on-time benefit payment for retired members over these reports. By doing so, there is an increased risk that significant errors are missed and not corrected which eventually become financially detrimental to our members. Internal Audit further noted, prior to our audit, the Benefits Division was already aware of the potential risk of not reviewing these reports and had already begun separate special projects to address the underlying issues in lieu of focusing on validating records in the</p>	<p>Management Response:</p> <p>Management agrees with the recommendation and will consider these factors as it establishes a system for managing the exception reports. Management anticipates completing this recommendation by June 30, 2020.</p> <p>Current Status:</p> <p>Planned for completion by 6/30/2020.</p>	Bernie Buenaflor, Benefits Division	6/30/2020	<p>Pending</p> <p>6/30/2020</p>

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
		<p>exception reports. The Process Management Group (PMG) in Benefits is currently managing these special projects.</p> <p>Recommendation: Benefits management should continue working with the PMG group to evaluate and refine the exceptions reports review process however, management should also consider developing a process that includes:</p> <ul style="list-style-type: none"> a. Identifying a complete population of key reports and documenting the purpose of each report. b. Documenting LACERA's exposure to additional risks and liabilities associated with the information in those key reports. c. Defining procedures to consistently validate the completeness and accuracy for those reports when changes occur to business rules or the law. 				

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Benefits Exception Report Audit	Benefits Division 11/22/2019	<p>Description of Finding: The Report Control Center (RCC) is the Benefits process for managing the large volume of reports that automatically print throughout the month. Staff assigned to the RCC are responsible only for collecting and sorting the printed reports, distributing them to the appropriate staff for review, and filing the reports that staff signed off. During our walkthrough of the RCC process, we observed that hard copies of the reports for the current and prior fiscal years are stored in locked cabinets in the Benefits Division suite due to the sensitive member data contained in each report. We confirmed that staff generally keep the cabinets locked at all times, including during normal business hours, and only a select number of staff have access to the cabinet keys. While this practice ensures that visitors and other employees who are not authorized do not inadvertently access sensitive information, we noted however that older RCC reports were exposed to such risks during the archiving process. RCC reports when archived to the basement of the building or off-site to Iron Mountain are placed into boxes that are not further secured and removed by staff in Administrative Services or the vendor.</p> <p>Recommendation: Benefits management should review and establish retention cut-off dates in the Report Control Center (RCC) to ensure that reports are destroyed after a certain time period to mitigate any potential information security risks. Benefits should also perform an inventory of currently stored reports and destroy reports no longer needed.</p>	<p>Management Response: Management agrees with the recommendation and will enforce LACERA's document retention policies in the Report Control Center (RCC). Management has instructed staff to work with the Records and Information Management (RIM) Unit to compile an inventory of all stored reports by December 31, 2019 and destroy reports no longer needed by March 31, 2020.</p> <p>Current Status: Planned for completion by 6/30/2020.</p>	Bernie Buenaflor, Benefits Division	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Benefits Exception Report Audit	Benefits Division 11/22/2019	<p>Description of Finding: To determine timely deletion of obsolete or invalid exception reports, Internal Audit requested a listing of all current, retired, and transferred staff in both the Account Integrity Services and Special Benefit Services groups and a list of all reports sent those individuals. We noted two employees, who retired from LACERA during the first quarter of 2019, were still listed as active recipients.</p> <p>We noted a contributing factor for the error was the lack of documented policies and procedures for consistently reviewing exception report content, report recipients and notifying Systems when a report was obsolete or a user should stop receiving a report. Prior to our audit, the Benefits Division had recognized the need to develop procedures for cleaning up the high volume of exception reports sent to the Division and currently has plans to work with Systems to define an appropriate process going forward. We should also note that the two retired staff members Internal Audit identified have since been removed from the active recipient lists for those reports.</p> <p>Recommendation: Benefits and Systems management should implement a formal periodic review process to evaluate exception reports data and recipients and establish policies and procedures to delete obsolete exception reports and recipients. A formalized review process, policies and procedures would help ensure that reports continue to assist the business unit achieve its operational objectives, obsolete reports are deleted timely and recipients only receive reports commensurate with their job responsibilities.</p>	<p>Management Response: Management agrees with the recommendation and will consider these factors as it establishes a system for managing the exception reports. Management anticipates defining the review process, policy and procedures, as well as implementing this recommendation by June 30, 2020.</p> <p>Current Status: Planned for completion by 6/30/2020.</p>	Bernie Buenaflor, Benefits Division	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Benefits Exception Report Audit	Benefits Division 11/22/2019	<p>Description of Finding: Internal Audit noted during our discussions as well as during our sample report testing, several instances where exception reports containing hundreds of pages of data as well as numerous cover pages automatically print. One report in particular contained over 450+ pages and was configured to print twice a month while another report that printed daily had a total of 69 pages of which 38 contained cover page type information such as report name, recipient and database name. Per inquiry with staff in the Report Control Center as well as other areas that receive automatically printed reports, we noted that Benefit’s staff have dedicated portions of their day to ensure the printers had paper at all times and that all exception reports pages were collected and sorted. Furthermore, Systems helpdesk staff would often automatically replace the ink and toner for those printers on a set schedule.</p> <p>Recommendation: Benefits and Systems management should collaboratively work to determine if all hard copy reports can be limited to electronic copy and allow staff to print only the reports and/or pages of the report that are needed.</p>	<p>Management Response: Management agrees with the recommendation and will consider these factors as it establishes a system for managing the exception reports. Benefits management anticipates completing an evaluation of the hard copy exception reports and Systems management has confirmed it is ready to convert those reports to electronic copies at the direction of Benefits by June 30, 2020.</p> <p>Current Status: Planned for completion by 6/30/2020.</p>	Bernie Buenaflor, Benefits Division	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Financial Accounting Services Division (FASD)						
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: Audit test work identified areas where travelers did not follow Policy and related payment processes: pre-approval of educational conference, lodging upgrades, reimbursement of meal per diems, and ground transportation.</p> <p>Recommendation 1: FASD management should assess the need to obtain missing documentation and/or recover amounts from travelers for noncompliant transactions that were identified during the audit.</p>	<p>Original Management Response: Management concurs with the recommendation. FASD management will have staff review the audit exceptions, and follow-up with travelers to obtain missing documentation and/or recover any amounts owed, as applicable, due to non-compliant transactions.</p> <p>Current Status: Staff is reviewing audit exceptions to determine amounts and documentation which can be obtained from travelers for noncompliant transactions. This recommendation is expected to be completed by 6/30/2020.</p>	Ted Granger, FASD	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: Audit test work identified areas where travelers did not follow Policy and related payment processes: pre-approval of educational conference, lodging upgrades, reimbursement of meal per diems, and ground transportation.</p> <p>Recommendation 2: FASD management should ensure that its staff consistently enforces the Policy and escalates to FASD management any areas of the Policy requiring interpretation or clarification.</p>	<p>Original Management Response: Management concurs with the recommendation. FASD will evaluate a monitoring mechanism to ensure consistent Policy enforcement. In addition, Management re-emphasized to staff the importance of elevating exceptions to the Policy for guidance and resolution.</p> <p>Current Status: Management discussed with staff the importance of elevating exceptions to management and obtaining input from the Board Office, Legal Office, and/or Internal Audit when necessary. Staff routinely inquires with management regarding exceptions or processing anomalies as they occur.</p>	Ted Granger, FASD	1/31/2020	Implemented 1/31/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: Audit test work identified areas where travelers did not follow Policy and related payment processes: pre-approval of educational conference, lodging upgrades, reimbursement of meal per diems, and ground transportation.</p> <p>Recommendation 3: Management should periodically provide training to the Boards and staff on the Policy to ensure travelers and approvers are aware and compliant with the Policy requirements.</p>	<p>Original Management Response: Management concurs with the recommendation. FASD will work with the Executive and Legal Offices to schedule Travel Policy training for the Boards and staff at least annually or when the Policy is revised.</p> <p>Current Status: This recommendation is on hold pending the outcome of the Mosaic review. The consultant' project began in October 2019 and is expected to be completed during the first quarter of 2020. It is anticipated that Mosaic will have specific recommendations regarding Education and Travel Policy training.</p>	Ted Granger, FASD	6/30/2020	<p>Pending</p> <p>6/30/2020</p>

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: Audit test work identified areas where travelers did not follow Policy and related payment processes: pre-approval of educational conference, lodging upgrades, reimbursement of meal per diems, and ground transportation.</p> <p>Recommendation 4: To improve the effectiveness and efficiency and to consistently enforce the review process, FASD, the Legal Office, and the Executive Office should meet periodically to determine a joint understanding of the Policy, how to address and document when questionable charges occur, and if updates or revisions should be suggested to the Boards.</p>	<p>Original Management Response: Management concurs with the recommendation. FASD management will schedule joint meetings with FASD, the Executive and Legal Offices when there are Policy updates. In addition, this core group will convene at least bi-annually to review the Policy and related issues of non-compliance to determine if such issues warrant Board consideration for Policy revision.</p> <p>Current Status: Management and staff established an internal group comprised of representatives from the Board Office, Legal Office, Internal Audit and FASD that met and will continue to meet on a regular basis to discuss Travel Policy exceptions. These exceptions will be tracked and presented to the JOGC. The frequency and nature of these meetings may be directed by recommendations from Mosaic.</p>	Ted Granger, FASD	1/31/2020	Implemented 1/31/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: Audit test work identified areas where travelers did not follow Policy and related payment processes: pre-approval of educational conference, lodging upgrades, reimbursement of meal per diems, and ground transportation.</p> <p>Recommendation 5: To be consistent with the section "Authorized Expenses" (705.02) of the Policy, that expenses should be "reasonable and necessary," Boards and management should:</p> <p>a. Revise the Policy to reflect current economical transportation services, like public transportation, taxis, or ride-share services. The Policy should still require the traveler to provide written justification for using an upgraded ground transportation service if used.</p> <p>b. Update the Policy to address if and when the use of an executive car service is acceptable.</p>	<p>Original Management Response: Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion.</p> <p>Current Status: This recommendation is on hold pending the outcome of the Mosaic review. The consultant' project began in October 2019 and is expected to be completed during the first quarter of 2020. It is anticipated that Mosaic will have specific recommendations regarding Education and Travel Policy modifications. This recommendation is expected to be completed by June 30, 2020.</p>	Ted Granger, FASD	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: FASD does not have a complete physical or electronic file for each travel event but instead maintains several platforms of information; a binder with all approved conferences and related agendas, a corporate credit card database, and Great Plains, a financial and accounting software system. Not having a complete file for each travel event decreases the effectiveness of the review process, an operational risk. Furthermore, incomplete travel files makes it more difficult for FASD to provide accurate numbers on the Travel Reports.</p> <p>Recommendation 1: To improve the effectiveness and efficiency of FASD’s review process, FASD should provide instructions for the Travel Expense Voucher (payment request), so travelers can provide a complete travel file.</p>	<p>Original Management Response: Management concurs with the recommendation. FASD will update the Travel Expense Voucher to include clear written instructions for completing the document.</p> <p>Current Status: This recommendation is on hold pending the outcome of the Mosaic review. The consultant’ project began in October 2019 and is expected to be completed during the first quarter of 2020. It is anticipated that Mosaic will have specific recommendations regarding Education and Travel Policy modifications.</p>	Ted Granger, FASD	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: FASD does not have a complete physical or electronic file for each travel event but instead maintains several platforms of information; a binder with all approved conferences and related agendas, a corporate credit card database, and Great Plains, a financial and accounting software system. Not having a complete file for each travel event decreases the effectiveness of the review process, an operational risk. Furthermore, incomplete travel files makes it more difficult for FASD to provide accurate numbers on the Travel Reports.</p> <p>Recommendation 2: To improve the effectiveness and efficiency of FASD’s review process, FASD should work with the Systems Division and the Executive Office to explore solutions that would allow travelers to upload and allocate travel receipts, and that would allow FASD to review and store complete travel files in a central location.</p>	<p>Original Management Response: Management concurs with the recommendation. FASD held preliminary discussions with the Systems Division and the Executive Office to evaluate the feasibility of implementing a travel receipt capture and storage tool.</p> <p>Current Status: This recommendation is on hold pending the outcome of the Mosaic review. The consultant’ project began in October 2019 and is expected to be completed during the first quarter of 2020. It is anticipated that Mosaic will have specific recommendations regarding information technology solutions.</p>	Ted Granger, FASD	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: Quarterly Travel Reports did not accurately reflect the travel expenditures for a traveler’s trip. In addition to the inaccuracies that Internal Audit identified, we learned from discussions with FASD, the Executive Board Assistants, and the Legal Office that the FY 2018 Quarterly Travel Reports were significantly revised for inaccurate reporting of travel expenditures before a public data request was fulfilled. Based on discussions with FASD, many of the inaccuracies in the Reports were caused by having a key member of FASD’s Disbursements Unit out of the office for the majority of the year, and not having a complete travel file, as discussed in the prior section.</p> <p>Recommendation 1: To improve the accuracy of the Quarterly Travel Reports, FASD should ensure all members of FASD’s Disbursements Unit are adequately trained and supervised.</p>	<p>Original Management Response: Management concurs with the recommendation. FASD management instructed supervisors and staff to review and consistently refer to the current Policy. When changes to the Policy occur, the supervisor will ensure staff are aware of those changes and are adequately trained on such changes.</p> <p>Current Status: Management and staff discussed the most recent Education and Travel Policy updated in August 2019, and understand the importance of elevating exceptions to management and obtain input from others such as the Board Office, Legal Office, and/or Internal Audit when necessary. Staff routinely inquires with management regarding exceptions or processing anomalies as they occur. When changes to the Travel Policy occur, management will ensure staff receives training.</p>	Ted Granger, FASD	1/31/2020	Implemented 1/31/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: Quarterly Travel Reports did not accurately reflect the travel expenditures for a traveler’s trip. In addition to the inaccuracies that Internal Audit identified, we learned from discussions with FASD, the Executive Board Assistants, and the Legal Office that the FY 2018 Quarterly Travel Reports were significantly revised for inaccurate reporting of travel expenditures before a public data request was fulfilled. Based on discussions with FASD, many of the inaccuracies in the Reports were caused by having a key member of FASD’s Disbursements Unit out of the office for the majority of the year, and not having a complete travel file, as discussed in the prior section.</p> <p>Recommendation 2: To improve the accuracy of the Quarterly Travel Reports, FASD should instruct travelers on providing a complete travel file, and work with the Systems Division and the Executive Office to explore having traveler’s upload and allocate travel receipts to a central location.</p>	<p>Original Management Response: Management agrees with the recommendation. FASD will provide instructions for complete travel files to travelers. In addition, FASD held preliminary discussions with the Systems Division and the Executive Office to evaluate the feasibility of implementing a travel receipt capture and storage tool.</p> <p>Current Status: This recommendation is on hold pending the outcome of the Mosaic review. The consultant’ project began in October 2019 and is expected to be completed during the first quarter of 2020. It is anticipated that Mosaic will have specific recommendations regarding information technology solutions.</p>	Ted Granger, FASD	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: The current Policy does not clearly address the definition of administrative travel, how administrative meetings should be categorized, or if administrative travel should count towards a Board member’s annual conference limit. Staff excluded administrative travel from the annual conference limits. Staff consistently applied this interpretation to all Board members and all Travel Reports have reflected this interpretation since July 2014. However, during our audit, we noted stakeholders were unclear if staff’s interpretation of the Policy was correct. The Policy should be revised to more clearly address “Administrative Travel.”</p> <p>Recommendation: To strengthen the Policy, the Boards and management should revise the Policy to clarify “Administrative Travel” to define controls regarding when administrative travel is authorized, if there is a limit to administrative travel, and how administrative travel should be categorized for Board members.</p>	<p>Original Management Response: Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion.</p> <p>Current Status: This recommendation is on hold pending the outcome of the Mosaic review. The consultant’ project began in October 2019 and is expected to be completed during the first quarter of 2020. It is anticipated that Mosaic will have specific recommendations regarding Education and Travel Policy modifications. This recommendation is expected to be completed by 6/30/2020.</p>	Ted Granger, FASD	6/30/2020	<p>Pending</p> <p>6/30/2020</p>

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: Per the Policy, local educational conferences are conferences where there is no common carrier travel and lodging is under \$1,500, and these conferences should not be counted towards the annual 8/12 conference limit. We observed that it is difficult to categorize which conferences should be considered “local educational conferences”, not subject to the 8/12 limit, as this determination needs to be made for each traveler’s individual travel expenditures. We reviewed the 4th Quarter FY 2018 Travel Report, and noted that staff had categorized several trips as “local educational conferences” but these trips included either airfare or lodging was over \$1,500.</p> <p>Recommendation: To ensure conferences are consistently and accurately categorized, conference limitations are applied, and to assist Board members in planning their educational conferences, Boards and management should revise the Policy to provide a standardized definition of “local educational conferences” – for example, limiting these to Los Angeles County, Southern California, or a set distance from LACERA.</p>	<p>Original Management Response: Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion.</p> <p>Current Status: This recommendation is on hold pending the outcome of the Mosaic review. The consultant’ project began in October 2019 and is expected to be completed during the first quarter of 2020. It is anticipated that Mosaic will have specific recommendations regarding Education and Travel Policy modifications. This recommendation is expected to be completed by 6/30/2020.</p>	Ted Granger, FASD	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: We reviewed industry best practices, compared other public pension funds' education and travel policies and if available, published travel reports, and recent media articles regarding travel by governmental agencies. In our assessment of the current Policy, we noted it does not have an overarching educational strategy that focuses on developing and improving key skills that fiduciaries generally need.</p> <p>Recommendation: To improve the effectiveness and adequacy of the Policy, Boards and management should:</p> <p>a. Review the Clapman report's education policy for a template of best practices.</p> <p>b. Consider adopting an organizational-wide educational strategy and incorporating the "Trustee (Fiduciary) Knowledge Self-Assessment." Texas Teacher Retirement System and CalSTRS have both hired a consultant to assess the organizations' requirements and preferences and to provide guidance in developing an effective educational strategy.</p> <p>c. Consider working with LACERA's Training Coordinator to develop a process to create a stakeholder's educational plan, monitor the broader educational needs of the Board for in-house training opportunities, and review and evaluate educational conferences.</p>	<p>Original Management Response: Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion.</p> <p>Current Status: This recommendation is on hold pending the outcome of the Mosaic review. The consultant' project began in October 2019 and is expected to be completed during the first quarter of 2020. It is anticipated that Mosaic will have specific recommendations regarding Education and Travel Policy modifications. This recommendation is expected to be completed by 6/30/2020.</p>	Ted Granger, FASD	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Board and Staff Education & Travel	Financial Accounting Services Division 6/20/2019	<p>Description of Finding: Internal Audit analyzed the costs of registration, airfare, and lodging, for the last four fiscal years to gain a better understanding of the increase in Board education travel expenditures. Based on the analysis, the cost of airfare has sharply increased, and we believe LACERA’s airfare costs could be reasonably reduced. We observed from our testing that refundable tickets were purchased for some travel events. Since the current Policy does not address if or when purchasing refundable tickets is allowed, the purchases were not out of compliance with the Policy. However, since refundable tickets are often two to three times the cost of non-refundable tickets, it seems inconsistent with the Policy’s general commentary on Attachment A of the Policy, “Travelers are encouraged to schedule travel in a way that minimizes LACERA’s travel expenses.” Additionally, we noted that prudent procurement practices, such as comparing prices among at least three airlines flying to the destination, modifying dates and times of travel, and prohibiting Board members from limiting their travel to one specific airline, are not encouraged or enforced.</p> <p>Recommendation: To reduce LACERA’s total airfare costs, Boards and management should: a. Re-evaluate the use of business class airfare. b. Evaluate stronger enforcement of prudent procurement practices as described above, including prohibiting the purchase of refundable tickets.</p>	<p>Original Management Response: Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion.</p> <p>Current Status: This recommendation is on hold pending the outcome of the Mosaic review. The consultant’ project began in October 2019 and is expected to be completed during the first quarter of 2020. It is anticipated that Mosaic will have specific recommendations regarding Education and Travel Policy modifications. This recommendation is expected to be completed by 6/30/2020.</p>	Ted Granger, FASD	6/30/2020	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Human Resources Division						
Timekeeping Audit	Human Resources Division 11/22/2019	<p>Description of Finding: LACERA does not have a standard set of timekeeping policies or procedures. Human Resources (HR) management is responsible for designing control activities through formal policies and procedures that are written, dated, and signed. It would reduce potential risks such as inaccurate hours being recorded in the eHR system, inaccurate pay codes used for leaves or absences, and most importantly, inaccurate payroll.</p> <p>Recommendation: HR should develop formal timekeeping policies and procedures to promote consistency and compliance within LACERA. This includes understanding which Los Angeles County human resources laws and policies are applicable to LACERA.</p>	<p>Original Management Response: Management agrees with the recommendations. Human Resources Division developed a draft timekeeping policy and procedures along with a draft guide to timesheet coding and submission that is pending release of the new employee handbook. The estimated completion date is March 31, 2020.</p> <p>Current Status: Review of draft in process for completion by March 31, 2020.</p>	Annette Cleary, Human Resources Division	3/31/2020	Pending 3/31/2020
Timekeeping Audit	Human Resources Division 11/22/2019	<p>Description of Finding: Under the current timekeeping process, when a question or issue arises during the current timekeeping process, the timekeepers call a HR Staff for assistance. The inquiry topic ranges from experiencing eHR system glitches to asking about which pay code is appropriate to use. The latter issue stems from the numerous job types that exist at LACERA: Exempt, Non-Exempt, Represented, and Non-Represented. Each job type is entitled to different benefits and correspondingly, each job type has different pay codes for reporting variance time.</p> <p>Recommendation: HR should track frequently asked questions and create a FAQ or equivalent document to educate staff and increase effectiveness of timekeeping process.</p>	<p>Original Management Response: Additionally, the FAQs are scheduled to be posted on the Intranet by December 6, 2019. Human Resources Division will send the timekeeping policy and procedures annually to all Staff Members and update the FAQs on the Intranet as needed.</p> <p>Current Status: The FAQs posted on the Intranet on December 24, 2019.</p>	Annette Cleary, Human Resources Division	12/6/2019	Implemented 12/24/2019

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Timekeeping Audit	Human Resources Division 11/22/2019	<p>Description of Finding: A listing of the divisional timekeepers and proxies, including backup personnel, is not maintained. During the questionnaire evaluation process, Internal Audit identified certain divisions without a designated backup timekeeper and/or proxy, of which HR serves as the backup role. We noted it would be beneficial to have a designated backup staff within the division who can actively monitor staff's time for timekeeping accuracy.</p> <p>Recommendation: HR should track who performs the roles and responsibilities of timekeeper and proxy, including any backup role within each division, to ensure that an appropriate segregation of duties is maintained. Temporary timekeepers and proxies should also be tracked to ensure approval and access rights are terminated when no longer needed.</p>	<p>Original Management Response: Management agrees with the recommendations. Human Resources will create a policy and formal process for the Divisions to follow to appoint or remove staff members as timekeepers and proxies, including any backup role within each division. Based upon this, Human Resources Division will create and maintain a list of timekeepers and proxies, including any backup role within each division. Human Resources will update the list accordingly. The estimated completion date is March 31, 2020.</p> <p>Current Status: List of Timekeepers has been posted on the Intranet effective January 27, 2020 showing the Timekeeper and those that can serve as a backup. An Approver/Proxy Access Form and Organizational Change Form are located on the Intranet that provides for changes to any timekeepers or proxies.</p>	Annette Cleary, Human Resources Division	3/31/2020	Implemented 1/27/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Timekeeping Audit	Human Resources Division 11/22/2019	<p>Description of Finding: A common feedback from the respondents was the request for additional training or periodic refresher courses on timekeeping. In the past, timekeeping training were held sporadically and infrequently. For new timekeepers and proxies, they often do not receive timekeeping training before they take on the roles and responsibilities of being a timekeeper or proxy. For seasoned timekeepers and proxies, they were not consistently provided with refresher courses once the initial training was provided.</p> <p>Recommendation: HR should create a documented process to ensure training is provided timely to new timekeepers and proxies as well as refresher training to existing timekeepers, proxies, and their supervisors. Internal Audit recommends the documented process occurs on an annual basis at each division.</p>	<p>Original Management Response: Management agrees with the recommendation. Upon notification of a new timekeeper, Human Resources will schedule training with the newly appointed timekeeper. In addition, Human Resources will schedule training twice a year for all timekeeper and proxies. The estimated completion date is March 31, 2020.</p> <p>Current Status: Training conducted on January 28, 2020 for current timekeepers, 12 staff members were in attendance. No new timekeeper has been hired.</p>	Annette Cleary, Human Resources Division	3/31/2020	Implemented 1/28/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Investments Division						
Securities Lending	Investments Division 5/30/2018	<p>Description of Finding: In an April 2017 memorandum to the Board of Investments, management expressed the need to periodically rebid the securities lending program as a good measure. It is good a practice to understand the fee implications of using third-party lending agents and the impact on program cost and performance. During our review, we observed two cases when LACERA incurred additional costs for using GSAL as a third-party lending agent. Even though LACERA incurred additional costs for using GSAL as a third-party lending agent, it would be difficult to quantify or contend that LACERA is better off using a single lender over multiple third-party lenders. LACERA may benefit from un-bundling each SSB service offering and pricing it individually. In doing so, management can understand the costs-benefits its of using third-party agents, and determine the best course of action for LACERA and the program going forward.</p> <p>Recommendation: Investments Office to assess the fee implications of working with third-party agents to provide securities lending services.</p>	<p>Original Management Response: Subject to BOI approval, Staff anticipates issuing an RFP for securities lending services in fiscal year 2018/2019, and that search will include an assessment of all related fees, including for third-party agents.</p> <p>Current Status: The Investments Team is evaluating RFP responses and plans to select 3-4 finalists for in-house interviews and on-site visits in March, 2020. The Team will make a recommendation to the Board of Investments at the May 2020 meeting.</p>	Jon Grabel, Investments Division	6/30/2019 03/31/2020	Pending 11/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Systems Division						
Data Backup/ Retention Testing	Systems Division 2/14/2018	<p>Description of Finding: Recent technology upgrades of desktops computers and server systems rely upon live interface to Cloud Services, operating and email systems. Recovery of these services at a remote processing facility has not been tested in conjunction with recovery of LACERA's core membership system.</p> <p>Recommendation: Perform a recovery exercise of mission critical operations at a remote location as soon as practical to validate recovery procedures and capture learnings for potential disruptions.</p>	<p>Original Management Response: Mission critical membership payroll, accounting and investment data processing functions will be replicated offsite in a disaster recovery scenario during the fourth calendar quarter of 2018.</p> <p>Current Status: Currently, fundamental systems can be recovered. The Boulder backup site is unchanged and communications can be established from the Mesa backup site location or hotel depending on needs. The DR exercise should be completed during Q1 2020.</p>	James Brekk, Systems Division	12/31/2018 7/31/2018	Pending 3/31/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Member Applications Change Control	Systems Division 10/30/2018	<p>Description of Finding: We noted that there were no management reports available for use to monitor or detect changes to application code deployed to the production system. In a well-controlled Change Management environment, administrative reports are used to monitor the movement of application code changes thru development to final production status. These reports help ensure necessary testing, documentation, provisioning and authorizations occurred, and changes to systems are introduced in a controlled and coordinated manner.</p> <p>Management has established segregation of responsibilities for application code changes and relies upon staff to follow established code development, testing and management approval review procedures prior to presenting application code changes to other responsible staff for promoting to production. However, historically, due to staffing shortages, some staff have had the ability to develop and promote code into production potentially without management oversight. This situation presents a risk that erroneous or malicious code could be introduced into production without detection.</p> <p>Recommendation: Systems Division management should develop a system generated report for monitoring changes in application code. Management review of this report should ensure code changes deployed into production are appropriate and approved.</p>	<p>Original Management Response: We plan to develop a system generated Deployment Monitoring Report that will identify any instances when code is deployed into production. Management plans to complete an analysis and evaluation to determine if feasible based on current project priorities and resources. This evaluation is planned for completion by the end of June 2019, and if feasible will be planned for implementation by the end of December 2019.</p> <p>Current Status: The recommended action is in progress and on target for a completion date of 6/30/2020. We plan to transition to a different deployment tool that includes this reporting feature.</p>	James Brekk, Systems Division	12/31/2019	Pending 6/30/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Member Applications Change Control	Systems Division 10/30/2018	<p>Description of Finding: We identified several non-administrative staff user accounts within the administrator group that is used to access the membership document management application.</p> <p>Recommendation: Systems Division management should evaluate the administrator group membership and configuration and appropriately eliminate users that do not require administrator privileges to perform their job duties.</p>	<p>Original Management Response: We will complete a review of all users and system accounts that are members of the administrator group to ensure access is valid and that the administrator group is appropriate. We will also evaluate the possibility of introducing two levels of system administration, one group for system administrators and applications that interact with the application, and a second group for workflow administrators. This is planned for completion by December 31, 2018.</p> <p>Current Status: The Systems Division has completed analysis of all users and system accounts that are members of the administrator group. Users that do not require administrator privileges to perform their job duties have been removed from the administrator group. All appropriate changes have been implemented. Internal Audit has verified implementation.</p>	James Brekk, Systems Division	12/31/2018	Implemented 2/7/2020

Audit Recommendations Follow Up

Project Name	Risk Area / Division	Finding	Management Response	Responsible Party(s) / Division	Original Implementation Date / Past Revision Dates	Current Status
Member Applications Change Control	Systems Division 10/30/2018	<p>Description of Finding: A formal policy does not exist to provide guidelines for granting staff administrator access and system management privileges.</p> <p>Recommendation: The Systems Division management should develop a formal Administrator Access Policy that applies to staff who are granted "Administrator" access on LACERA's systems, and management of privileged group membership.</p>	<p>Original Management Response: Systems Division management should develop a formal Administrator Access Policy that applies to staff who are granted "Administrator" access on LACERA's systems, and management of privileged group membership.</p> <p>Current Status: Planned for completion by 2/28/2020.</p>	James Brekk, Systems Division	6/30/2019	Pending 2/28/2020


**FOR INFORMATION ONLY**

February 20, 2020

TO: 2020 Audit Committee
Vivian H. Gray
David Green
Keith Knox
Gina V. Sanchez
Herman B. Santos

Audit Committee Consultant
Rick Wentzel

FROM: Richard Bendall 
Chief Audit Executive

Leisha Collins 
Principal Internal Auditor

Kathryn Ton 
Senior Internal Auditor

FOR: March 4, 2020 Audit Committee Meeting

SUBJECT: Real Estate Advisor Reviews

Internal Audit hired four audit firms to perform compliance and consulting reviews of LACERA's real estate investment advisors on an as-needed basis. These engagements, referred to as agreed-up procedures reviews (reviews) are designed to assist LACERA in determining if advisors are in compliance with specific provisions of their internal business controls and contractual business policies and procedures established under their Master Real Estate Investment Advisor Agreement.

This memorandum is to inform the Committee of advisor reviews completed this fiscal year:

- Conrad, LLP completed a review of Clarion Partners and there were no significant issues. The five findings of this review all related to reporting requirements. The advisor has provided an action plan to address the findings and recommendations.
- Kreisher Miller completed a review of Heitman Capital Management and there were no significant issues. The four findings related to policy review requirements and SOC 1 documentation. The advisor has provided an action plan to address the findings and recommendations.

Real Estate Advisor Reviews
February 20, 2020

- KPM & Associates completed a review of Invesco Advisors and there were no significant issues. There were five advisor findings related to reporting requirements, acquisitions, and competitive bidding documentation. In addition, there were seven construction findings related to project delays, change order requests, and project personnel approvals. The advisor has provided an action plan to address the findings and recommendations.

Internal Audit plans to have external auditors conduct three to five advisor compliance reviews on a five year cycle, unless significant issues arise requiring a review of an advisor on a more frequent basis. Staff will continue to provide updates to the Committee regarding future advisor audits.

RB:lc:kt


**FOR INFORMATION ONLY**

February 20, 2020

TO: 2020 Audit Committee
Vivian H. Gray
David Green
Keith Knox
Gina V. Sanchez
Herman B. Santos

Audit Committee Consultant
Rick Wentzel

FROM: Richard Bendall 
Chief Audit Executive

Gabriel Tafoya 
Senior Internal Auditor

Nathan K. Amick 
Internal Auditor

FOR: March 4, 2020 Audit Committee Meeting

SUBJECT: Continuous Auditing Program (CAP)

Internal Audit performs its **Continuous Auditing Program** (CAP) throughout the year. We defined CAP as continuous audit testing for fraud and compliance incorporating data analytics as the primary auditing tool.

- **Fraud Testing** – Provides timely insight into fraud indicators
- **Compliance Testing** – Ensures compliance through testing transactional data against established internal control rules and transactional profiles (e.g., *960-Hour Limit Test*)

Our primary data analytics tool **Audit Command Language** (ACL) allows us to examine large data sets to uncover exceptions, anomalies, hidden patterns, unknown correlations, and to assist with the audit process. ACL gives us the ability to review every transaction, not just sampling, which enables a more efficient analysis on a greater scale.

The intention of CAP is to give Internal Audit and LACERA Management greater visibility into processes, activities, and transactions, while adding value by means of improved compliance, risk management, and the ability to achieve business goals.

Should any of our CAP testing identify a systematic breakdown of controls, the project would be elevated and a full audit would be performed. In such a case, the Audit Committee would be notified.

COMPLETED CONTINUOUS AUDIT PROGRAM TESTS
For the period of 11/23/2019 through 02/20/2020

Project Name	Project Category	Completion Date
New Payees	Fraud	02/20/2020
Minor Survivor testing	Compliance	02/18/2020
Pay Codes Testing	Compliance	12/11/2019
Census Data Testing	Compliance	1/30/2020
Terminated Staff Key Cards Testing	Compliance	12/19/2019

The list below is a detail of the above completed and in progress projects including project name, purpose, methodology, coverage period, test results, and the frequency at which the tests are performed.

Continuous Audit Program (CAP) Testing Summary

FRAUD TESTING

DIVISION	PROJECT NAME	PURPOSE	COVERAGE PERIOD	TEST FREQUENCY	METHODOLOGY	RESULTS
Benefits Division	New Payees	Validate the eligibility of all new payees added to the LACERA retirement payroll.	11/23/19 to 01/31/20	Monthly	Traced all new payees, per the monthly payroll, to valid historical member data from LACERA and the plan sponsor.	No exceptions noted. Testing was completed on February 20, 2019.

COMPLIANCE TESTING

DIVISION	PROJECT NAME	PURPOSE	COVERAGE PERIOD	TEST FREQUENCY	METHODOLOGY	RESULTS
Benefits Division	Minor Survivors Eligibility	Validate eligibility of all current minor survivor payees.	As of 01/31/20	Annually	<ul style="list-style-type: none"> Obtained a listing of all current minor survivor payees per the January 2020 LACERA payroll. For payees ages 17 and under, Internal Audit verified documents supporting minor survivor status. For payees ages 18 to 22, Internal Audit verified documents supporting minor survivor status, including verification of enrollment in an accredited education program. 	No exceptions noted. Testing was completed on February 18, 2020.

COMPLIANCE TESTING (Continued)

DIVISION	PROJECT NAME	PURPOSE	COVERAGE PERIOD	TEST FREQUENCY	METHODOLOGY	RESULTS
<i>Executive Division</i>	Pay Codes Testing	To determine all paycodes used by plan sponsor are LACERA BOR approved.	07/01/19 to 09/30/19	Quarterly	Match the LACERA pay codes master listing against the Los Angeles County (LAC) Auditor-Controller's paycode file, to identify discrepancies.	No exceptions noted. Testing was completed on December 11, 2019.
<i>Executive Division</i>	Census Data Testing	Validate LACERA census data received from plan sponsor.	07/01/18 to 06/30/19	Annually	<ul style="list-style-type: none"> Obtain the LACERA earnings file and the Los Angeles County (LAC) Auditor-Controller's earnings file. Select a population from each file and provide to Quality Assurance for testing of key census data components. 	No exceptions noted. Testing was completed on January 30, 2020.
<i>Systems Division</i>	Terminated Staff Key Cards	Identify terminated employees who still have active key cards.	As of 10/24/19	Annually	Obtain the employee key card file and terminated employee listing, and match to identify terminated employees with active key cards.	No exceptions noted. Testing was completed on December 19, 2019.



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

**For further information, contact:
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