

# AGENDA

## 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, CA 91101

March 19, 2014 – 9:00 a.m.

### 2014 COMMITTEE MEMBERS

Michael Schneider, 2013 Chair  
Alan Bernstein, 2013 Vice-Chair  
John Barger  
Yves Chery  
David Green  
Shawn Kehoe

### CONSULTANT

Timothy O'Brien, Audit Committee Consultant

- I. **ELECTION OF AUDIT COMMITTEE CHAIR, VICE CHAIR, AND SECRETARY FOR CALENDAR YEAR 2014**
- II. **APPROVAL - MINUTES OF THE REGULAR AUDIT COMMITTEE MEETING OF JULY 17, 2013**  
*(Attached)*
- III. **APPROVAL - MINUTES OF THE REGULAR AUDIT COMMITTEE MEETING OF DECEMBER 5, 2013**  
*(Attached)*
- IV. **DISCUSSION OF 2014 AUDIT COMMITTEE MEETING SCHEDULE**  
Richard Bendall, Chief Audit Executive  
(Memo dated November 15, 2011)  
(Resolution Nos. AC 05-001 and AC 04-001)
- V. **PUBLIC COMMENT**
- VI. **REPORTS**
  - A. **Audit Committee Guide**  
Sarah Marks, Principal Internal Auditor  
*(Updated February 26, 2014)*
  - B. **Audit Plan Status Report – February 28, 2014**  
Richard Bendall, Chief Audit Executive  
Nathan Amick, Internal Auditor  
*(Memo dated March 3, 2014)*

- C. **Recommendation Follow-up Report** – February 28, 2014  
Sarah Marks, Principal Internal Auditor  
*(Memo dated March 6, 2014)*
  
- D. **Status of Other External Audits Not Conducted at the Discretion of Internal Audit**  
Sarah Marks, Principal Internal Auditor  
*(Verbal presentation only)*
  
- E. **Risk Assessment Discussion**  
Richard Bendall, Chief Audit Executive  
Sarah Marks, Principal Internal Auditor  
*(Verbal presentation only)*

**FOR INFORMATION ONLY**

*Division Profiles are presented as follows*

- *Risk Assessment*
- *Audit Plan Status*
- *Work Completed / In Progress*
- *Audit Reports*

- A. Systems
  
- B. Claims Processing
  - 1. **Previous Service Contracts Consulting Review** – *Sick Without Pay (SWOP) and Temporary Time*  
Quoc Nguyen, Senior Internal Auditor  
Darla Vidger, Internal Auditor  
*(Memo dated February 26, 2014)*
  
  - 2. **Special Payments Process**  
Quoc Nguyen, Senior Internal Auditor  
Nathan Amick, Internal Auditor  
*(Memo dated March 7, 2014)*
  
- C. FASD
  - 1. **GASB 67 & 68 Update**  
Beulah Auten, FASD Manager  
Connie Perez, Partner, Brown Armstrong  
*(Presentation)*
  
- D. Investments
  
- E. Member Services
  
- F. Communications

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G. Disability Retirement

H. Executive Office

I. Human Resources

**1. Timekeeping Processes for Exempt Staff**

Sarah Marks, Principal Internal Auditor

*(Supplemental Audit Memo dated November 8, 2013)*

J. Retiree Health Care

K. Administrative Services

**1. Check Handling Process & Remote Deposit Capture**

David Redman, Senior Internal Auditor

*(Memo dated January 17, 2014)*

L. Internal Audit

M. Quality Assurance

N. Legal

O. Disability Litigation

**VII. CONSULTANT COMMENTS**

Timothy O'Brien, Audit Committee Consultant

*(Verbal presentation only)*

**VIII. GOOD OF THE ORDER**

*(For information purposes only)*

**IX. ADJOURNMENT**

AGENDA – REGULAR MEETING OF THE AUDIT COMMITTEE

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**\*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].**

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# MINUTES OF THE AUDIT COMMITTEE

## REGULAR MEETING OF THE AUDIT COMMITTEE AND BOARD OF RETIREMENT AND/OR BOARD OF INVESTMENTS\*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 N. Lake Avenue, Suite 810  
Pasadena, CA 91101

March 19, 2014 – 9:02 a.m.

### 2014 COMMITTEE MEMBERS

**Present:** Michael Schneider, *Chair*  
David Green, *Vice-Chair*  
Shawn Kehoe, *Secretary*  
John Barger  
Yves Chery

**Absent:** Alan Bernstein

### BOARD MEMBERS AT LARGE

None

### AUDIT COMMITTEE CONSULTANT

Timothy O'Brien, *Audit Committee Consultant*

### STAFF, ADVISORS, AND PARTICIPANTS

Gregg Rademacher  
Robert Hill  
John Popowich  
Richard Bendall  
Nathan Amick  
Sylvia Botros  
Leisha Collins  
Elvia Gonzalez  
George Lunde  
Quoc Nguyen  
David Redman  
Darla Vidger

Beulah Auten  
Bernie Buenaflor  
Roxana Castillo  
Annette Cleary  
Gloria Harriel  
Louis Gittens  
Kimberly Hines  
Leilani Ignacio  
James Pu  
Roberta Van Nortrick  
Robb Van Der Volgen

**Brown Armstrong Advisors**  
Connie Perez

## **MINUTES OF THE AUDIT COMMITTEE**

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### **I. ELECTION OF AUDIT COMMITTEE CHAIR, VICE CHAIR, AND SECRETARY FOR CALENDAR YEAR 2014**

As former Vice-Chair, Mr. Schneider opened the meeting and called for the nomination of the Chair, Vice-Chair, and Secretary of the Audit Committee for the 2014 Calendar Year. Mr. Chery nominated Mr. Schneider for Chair and Mr. Kehoe seconded the nomination. Mr. Schneider was unanimously elected Chair of the 2014 Audit Committee.

Mr. Schneider called for the nomination of Vice-Chair. Mr. Chery nominated Mr. Green for Vice Chair and Mr. Kehoe seconded the nomination. Mr. Green was unanimously elected Vice Chair of the 2014 Audit Committee.

Mr. Schneider called for the nomination of Secretary. Mr. Chery nominated Mr. Kehoe for Secretary and Mr. Green seconded the nomination. Mr. Kehoe was unanimously elected Secretary of the 2014 Audit Committee.

### **II. APPROVAL - MINUTES OF THE REGULAR AUDIT COMMITTEE MEETING OF JULY 17, 2013**

Mr. Schneider called for a motion to approve the Minutes of the Audit Committee Meeting of July 17, 2013. A motion for approval was presented by Mr. Chery. A second was provided by Mr. Green. The Minutes were unanimously approved.

### **III. APPROVAL - MINUTES OF THE REGULAR AUDIT COMMITTEE MEETING OF DECEMBER 5, 2013**

Mr. Schneider called for a motion to approve the Minutes of the Audit Committee Meeting of December 5, 2013. A motion for approval was presented by Mr. Chery. A second was provided by Mr. Kehoe. The Minutes were unanimously approved.

### **IV. DISCUSSION OF 2014 AUDIT COMMITTEE MEETING SCHEDULE**

- Richard Bendall, *Chief Audit Executive*  
(Memo Dated: November 15, 2011)  
(Resolution Nos.: AC 05-001 and AC 04-001)

Mr. Bendall provided a background as to how the current Audit Committee Meeting Schedule was established and polled the Committee to determine if there was an interest in changing the schedule. There was no interest in changing the schedule.

### **V. PUBLIC COMMENT**

No items to report.

## MINUTES OF THE AUDIT COMMITTEE

March 19, 2014

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### VI. REPORTS

#### A. Audit Committee Guide

- Richard Bendall, *Chief Audit Executive*  
(Updated: February 26, 2014)

Mr. Bendall discussed the history, purpose, and work of Internal Audit as well as provided a short orientation for the new Committee members regarding the Audit Committee Guide. Mr. Green posed a question regarding in-line auditing and Mr. Hill responded that this was a function of Quality Assurance.

Mr. Bendall noted that Internal Audit works collaboratively with the divisions while maintaining its independence. Mr. Barger asked for clarification regarding the nature of this collaborative spirit and if Internal Audit is truly able to maintain independence. Mr. Bendall clarified that Internal Audit is able to maintain an attitude of independence. Mr. Schneider asked for clarification regarding the reporting structure of Internal Audit. Mr. Bendall responded that the Chief Audit Executive reports functionally to the Audit Committee and administratively to the Chief Executive Officer. Mr. Rademacher added that when implementing new programs, Management requests that Internal Audit contributes in a consulting role to prevent any control issues and later contributes in an auditing role to ensure compliance.

Mr. Bendall noted that Internal Audit follows the Institute of Internal Auditor Professional Practice Standards. Mr. Schneider asked if a serious issue was discovered that needed to be brought to the attention of the Committee, would Mr. Bendall be at liberty to contact the Committee Chair. Mr. Van Der Volgen responded that it would be acceptable for the Chief Audit Executive to contact the Committee Chair directly to discuss the issue to determine if a special meeting should be called. Mr. Schneider asked if the meeting would need to be in closed or open session. Mr. Van Der Volgen clarified that it would depend on the nature of the issue such as pending litigation, although according to the Brown Act most issues would be discussed in open session.

Mr. Barger noted that he felt strongly that the function of Internal Audit should be independent and serve its function of checks and balances, bringing unwanted attention to issues that need to be addressed.

Mr. Schneider asked if there was an employee hotline. Mr. Bendall responded that there was an employee hotline that was monitored by Internal Audit. Mr. Bendall added that Internal Audit does receive information by mail as well. Mr. Barger asked how these reports are evaluated. Mr. Bendall provided an overview of the investigation process.

Mr. Chery asked if an Executive Summary could be provided regarding the content of the Audit Guide and what important issues needed to be reviewed.

## MINUTES OF THE AUDIT COMMITTEE

March 19, 2014

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### A. **Audit Committee Guide (continued)**

Mr. Kehoe agreed that an Executive Summary of the Audit Guide would be very helpful.

Mr. O'Brien asked if Mr. Bendall would discuss the Peer Review process. Mr. Bendall gave an outline of the Internal Audit structure, the Audit Committee Consultant, and the Internal Audit Peer Review process.

### B. **Audit Plan Status Report** [February 28, 2014]

- Richard Bendall, *Chief Audit Executive*
- Nathan Amick, *Internal Auditor*  
(Memo Dated: March 6, 2014)

Mr. Bendall described the Audit Plan cycle and a high level recap of work hours performed since the last Audit Committee meeting. Mr. Schneider asked if he felt there was adequate staff to perform the required work. Mr. Bendall responded that there is adequate staffing to address organizational risks. Mr. Barger asked if LACERA's Internal Audit is in contact with its peers. Mr. Bendall provided an overview of the Association of Pension Fund Auditors and LACERA Internal Audit's active participation in that group.

Mr. Barger and Mr. Schneider asked several follow-up questions regarding staffing levels. Mr. Bendall responded that he feels Audit staff is involved in high-value projects and staff levels are appropriate for the work performed.

### C. **Recommendation Follow-Up Report** [February 28, 2014]

- Quoc Nguyen, *Senior Internal Auditor*  
(Memo Dated: March 7, 2014)

Mr. Nguyen described the nature and schedule of the Recommendation Follow-Up Report and how it provides a status of management's progress toward audit recommendations.

Mr. Nguyen provided an overview of the Recommendation Aging Report. Mr. Nguyen then summarized that between November 1, 2013 and February 28, 2014; there were 22 new recommendations made and, since the last Audit Committee meeting, there were 25 recommendations implemented by Management. Currently, there are 77 audit recommendations pending implementation.

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### D. **Status of Other External Audits Not Conducted at the Discretion of Internal Audit**

- Richard Bendall, *Chief Audit Executive*  
(Verbal Presentation Only)

Mr. Bendall noted there are three external reviews in process: (1) The KPMG Software Licensing review is being finalized with no significant findings; (2) The review of the Retiree Health Care Medicare Part D Subsidies is being conducted by CMS with no significant issues; and (3) Milliman has been retained to perform an audit of the Retiree Drug Subsidy (RDS) program.

### E. **Risk Assessment Discussion**

- Richard Bendall, *Chief Audit Executive*  
(Verbal Presentation Only)

Mr. Bendall provided an overview of the Risk Assessment Process and the Division Risk Profiles and welcomed any questions.

Mr. Barger asked what would happen if the power grid were to go down. Mr. Bendall outlined the Disaster Recovery process and related that this specific scenario was addressed in the associated exercises. Mr. Schneider inquired about the Disaster Recovery Manual and asked if it could be distributed again. Mr. Rademacher provided some further illustrations of LACERA's preparedness which is integrated into the Disaster Recovery process. Mr. Schneider inquired about third party support for Disaster Recovery. Mr. Hill clarified that there are several other Disaster Recovery projects in progress. Mr. Schneider asked if there was an onsite generator. Mr. Pu responded that this aspect of Disaster Recovery and systems availability is currently in progress. Mr. Green asked about computer attacks and how the cloud works. Mr. Pu responded that this is currently being addressed with the establishment of a co-location site within the next few years. Mr. Kehoe asked how this compares to other pension funds. Mr. Hill responded that LACERA is on the leading edge with Disaster Recovery. Mr. Kehoe asked how involved Internal Audit is with this process. Mr. Bendall responded that Internal Audit is integrally involved. Mr. Barger requested that Mr. Pu deliver a presentation on the status of the co-location project.

## VII. **FOR INFORMATION ONLY**

- ### A. **Division Profiles and Completed Projects**
- Richard Bendall, *Chief Audit Executive*

Mr. Bendall provided an overview of the Division Profiles and welcomed any questions.

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1. Claims Processing Division
  - a. **Previous Service Contracts Consulting Review – Sick Without Pay (SWOP) and Temporary Time**

- Quoc Nguyen, *Senior Internal Auditor*
- Darla Vidger, *Internal Auditor*  
(Memo Dated: February 26, 2014)

Mr. Nguyen provided a review of the consulting review project being conducted by Internal Audit at the request of Bernie Buenaflor and a summary of the most recent review completed of the Sick Without Pay (SWOP) and Temporary Time Contract processes in Claims Processing. The primary objectives of this review were to determine if staff has updated documented procedures to process transactions and if there are areas where process controls can be strengthened and efficiency measures can be improved.

Ms. Vidger highlighted the findings of the review and explained the management action plan to update and standardize the processes and procedures.

- b. **Special Payments Process**

- Quoc Nguyen, *Senior Internal Auditor*
- Nathan Amick, *Internal Auditor*  
(Memo Dated: March 5, 2014)

Mr. Nguyen summarized Internal Audit's review of the special payments process. This review was included in the Annual Audit Plan due to inherent risks associated with issuing special payments.

Mr. Amick presented an overview of the review, test work, findings, and management action plan to improve automated controls, update desk procedures, establish a Special Payments Manual, and improve the "seamless" payment process.

Mr. Chery asked where most of the review errors occurred that resulted in a voided check. Mr. Nguyen responded that they would provide this information. Mr. Kehoe asked if there was an inline auditing process. Mr. Buenaflor responded that Claims Processing is working with Quality Assurance in the establishment of the inline auditing process. Mr. Schneider and Mr. Chery requested that the audit presentations be truncated to include only the purpose of the audit and implemented remedies to issues found.

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### 2. FASD

#### a. GASB 67 & 68 Update

- Beulah Auten, *FASD Manager*
- Connie Perez, *Partner, Brown Armstrong*  
(Verbal Presentation Only)

[**Note:** This item was actually discussed at the opening of the meeting. Mr. Bendall had requested this item be presented in the beginning of the meeting to accommodate the guest presenter, Connie Perez.]

Ms. Auten provided a concise discourse of GASB 67 & 68, including the respective financial reporting requirements and their impact on LACERA and the County of Los Angeles. Ms. Auten also reviewed the objectives and progress to date of the joint LACERA/County task force. In this discussion, Ms. Auten noted that the task force has been on track with the implementation of GASB 67. As a part of the implementation effort, LACERA has partnered with other pension funds in the Public Pension Financial Forum, a national organization of public pension financial professionals.

Mr. Barger inquired as to what other pension funds are involved and who was leading the conference call discussions. Ms. Auten responded that over 100 public pension funds are involved in the Forum and that Colorado PERA leads the discussion. Mr. Barger asked if there were any key differences amongst the pension funds with regard to the GASB implementation. Ms. Auten and Mr. O'Brien related that LACERA has one primary plan sponsor while other funds have over 100 making their implementation, allocation, and communication processes more complex.

Mr. Schneider inquired about the requirements concerned with the plan sponsors reporting of pension liability. Ms. Perez responded that this issue would be covered in her presentation and detailed in the requirements of GASB 68.

Ms. Perez then provided further detail with regard to the implementation of GASB 67 and the forthcoming implementation of GASB 68.

Mr. Schneider inquired if the implementation of GASB 67 & 68 would affect funding disclosures. Ms. Perez and Ms. Auten clarified that these new standards would *not* impact funding disclosures.

Mr. Chery asked whether staffing levels were at the level required to meet the additional reporting requirements while maintaining other work current. Ms. Auten responded that they have budgeted overtime to cover the additional work.

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*α. GASB 67 & 68 Update (continued)*

Mr. Schneider asked if the staff workload would change post-implementation. Ms. Auten responded that they do not anticipate a significant change in workload in subsequent years.

Mr. O'Brien added that this is one of the biggest changes in public pension fund accounting in decades and lauded the significant work already done. Mr. O'Brien added that, although the way the discount rate is used to calculate the liability has changed, this will not really impact LACERA unlike other funds with a large unfunded liability. There was some discussion amongst the Committee members regarding funding and liability reporting requirements. Ms. Perez clarified that one of the new disclosures regarding the discount rate is the estimated liability in the event of a 1 percent increase or decrease. Mr. Rademacher clarified that the questions that were raised regarding funding and liability will be examined by the plan actuary. Mr. Rademacher then provided an overview of the actuary's solvency test and related that LACERA does meet the requirements of this test.

3. Human Resources

*α. Timekeeping Processes for Exempt Staff*

- Richard Bendall, *Chief Audit Executive*  
(*Supplemental Audit Memo Dated: November 8, 2013*)

Mr. Bendall gave a synopsis of this review.

4. Administrative Services

*α. Check Handling Process & Remote Deposit Capture*

- David Redman, *Senior Internal Auditor*  
(*Memo Dated: January 17, 2014*)

Mr. Bendall verbally recapped this review.

F. **CONSULTANT COMMENTS**

Timothy O'Brien, *Audit Committee Consultant*

Mr. O'Brien had no additional comments.

G. **GOOD OF THE ORDER**

Mr. Chery asked about the Timecard Fraud findings and recommendations. Mr. Bendall gave an overview of timekeeping processes and standards for exempt staff. Mr. Green thanked Mr. Bendall and his staff for their great work and for keeping the Board informed. Mr. Kehoe expressed his concern about Disaster Recovery and its importance.

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**H. ADJOURNMENT**

The meeting was adjourned at 11:18 a.m.

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**Absent:** Alan Bernstein

### BOARD MEMBERS AT LARGE

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Robert Hill  
John Popowich  
Richard Bendall  
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George Lunde  
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Beulah Auten  
Bernie Buenaflor  
Roxana Castillo  
Annette Cleary  
Gloria Harriel  
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### A. **Audit Committee Guide (continued)**

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Mr. Barger asked what would happen if the power grid were to go down. Mr. Bendall outlined the Disaster Recovery process and related that this specific scenario was addressed in the associated exercises. Mr. Schneider inquired about the Disaster Recovery Manual and asked if it could be distributed again. Mr. Rademacher provided some further illustrations of LACERA's preparedness which is integrated into the Disaster Recovery process. Mr. Schneider inquired about third party support for Disaster Recovery. Mr. Hill clarified that there are several other Disaster Recovery projects in progress. Mr. Schneider asked if there was an onsite generator. Mr. Pu responded that this aspect of Disaster Recovery and systems availability is currently in progress. Mr. Green asked about computer attacks and how the cloud works. Mr. Pu responded that this is currently being addressed with the establishment of a co-location site within the next few years. Mr. Kehoe asked how this compares to other pension funds. Mr. Hill responded that LACERA is on the leading edge with Disaster Recovery. Mr. Kehoe asked how involved Internal Audit is with this process. Mr. Bendall responded that Internal Audit is integrally involved. Mr. Barger requested that Mr. Pu deliver a presentation on the status of the co-location project.

## VII. **FOR INFORMATION ONLY**

- ### A. **Division Profiles and Completed Projects**
- Richard Bendall, *Chief Audit Executive*

Mr. Bendall provided an overview of the Division Profiles and welcomed any questions.

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1. Claims Processing Division
  - a. **Previous Service Contracts Consulting Review – Sick Without Pay (SWOP) and Temporary Time**
    - Quoc Nguyen, *Senior Internal Auditor*
    - Darla Vidger, *Internal Auditor*  
(Memo Dated: February 26, 2014)

Mr. Nguyen provided a review of the consulting review project being conducted by Internal Audit at the request of Bernie Buenaflor and a summary of the most recent review completed of the Sick Without Pay (SWOP) and Temporary Time Contract processes in Claims Processing. The primary objectives of this review were to determine if staff has updated documented procedures to process transactions and if there are areas where process controls can be strengthened and efficiency measures can be improved.

Ms. Vidger highlighted the findings of the review and explained the management action plan to update and standardize the processes and procedures.

- b. **Special Payments Process**
      - Quoc Nguyen, *Senior Internal Auditor*
      - Nathan Amick, *Internal Auditor*  
(Memo Dated: March 5, 2014)

Mr. Nguyen summarized Internal Audit's review of the special payments process. This review was included in the Annual Audit Plan due to inherent risks associated with issuing special payments.

Mr. Amick presented an overview of the review, test work, findings, and management action plan to improve automated controls, update desk procedures, establish a Special Payments Manual, and improve the "seamless" payment process.

Mr. Chery asked where most of the review errors occurred that resulted in a voided check. Mr. Nguyen responded that they would provide this information. Mr. Kehoe asked if there was an inline auditing process. Mr. Buenaflor responded that Claims Processing is working with Quality Assurance in the establishment of the inline auditing process. Mr. Schneider and Mr. Chery requested that the audit presentations be truncated to include only the purpose of the audit and implemented remedies to issues found.

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### 2. FASD

#### a. GASB 67 & 68 Update

- Beulah Auten, *FASD Manager*
- Connie Perez, *Partner, Brown Armstrong*  
(Verbal Presentation Only)

[**Note:** This item was actually discussed at the opening of the meeting. Mr. Bendall had requested this item be presented in the beginning of the meeting to accommodate the guest presenter, Connie Perez.]

Ms. Auten provided a concise discourse of GASB 67 & 68, including the respective financial reporting requirements and their impact on LACERA and the County of Los Angeles. Ms. Auten also reviewed the objectives and progress to date of the joint LACERA/County task force. In this discussion, Ms. Auten noted that the task force has been on track with the implementation of GASB 67. As a part of the implementation effort, LACERA has partnered with other pension funds in the Public Pension Financial Forum, a national organization of public pension financial professionals.

Mr. Barger inquired as to what other pension funds are involved and who was leading the conference call discussions. Ms. Auten responded that over 100 public pension funds are involved in the Forum and that Colorado PERA leads the discussion. Mr. Barger asked if there were any key differences amongst the pension funds with regard to the GASB implementation. Ms. Auten and Mr. O'Brien related that LACERA has one primary plan sponsor while other funds have over 100 making their implementation, allocation, and communication processes more complex.

Mr. Schneider inquired about the requirements concerned with the plan sponsors reporting of pension liability. Ms. Perez responded that this issue would be covered in her presentation and detailed in the requirements of GASB 68.

Ms. Perez then provided further detail with regard to the implementation of GASB 67 and the forthcoming implementation of GASB 68.

Mr. Schneider inquired if the implementation of GASB 67 & 68 would affect funding disclosures. Ms. Perez and Ms. Auten clarified that these new standards would **not** impact funding disclosures.

Mr. Chery asked whether staffing levels were at the level required to meet the additional reporting requirements while maintaining other work current. Ms. Auten responded that they have budgeted overtime to cover the additional work.

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*a. GASB 67 & 68 Update (continued)*

Mr. Schneider asked if the staff workload would change post-implementation. Ms. Auten responded that they do not anticipate a significant change in workload in subsequent years.

Mr. O'Brien added that this is one of the biggest changes in public pension fund accounting in decades and lauded the significant work already done. Mr. O'Brien added that, although the way the discount rate is used to calculate the liability has changed, this will not really impact LACERA unlike other funds with a large unfunded liability. There was some discussion amongst the Committee members regarding funding and liability reporting requirements. Ms. Perez clarified that one of the new disclosures regarding the discount rate is the estimated liability in the event of a 1 percent increase or decrease. Mr. Rademacher clarified that the questions that were raised regarding funding and liability will be examined by the plan actuary. Mr. Rademacher then provided an overview of the actuary's solvency test and related that LACERA does meet the requirements of this test.

3. Human Resources

*a. Timekeeping Processes for Exempt Staff*

- Richard Bendall, *Chief Audit Executive*  
(*Supplemental Audit Memo Dated: November 8, 2013*)

Mr. Bendall gave a synopsis of this review.

4. Administrative Services

*a. Check Handling Process & Remote Deposit Capture*

- David Redman, *Senior Internal Auditor*  
(*Memo Dated: January 17, 2014*)

Mr. Bendall verbally recapped this review.

F. **CONSULTANT COMMENTS**

Timothy O'Brien, *Audit Committee Consultant*

Mr. O'Brien had no additional comments.

G. **GOOD OF THE ORDER**

Mr. Chery asked about the Timecard Fraud findings and recommendations. Mr. Bendall gave an overview of timekeeping processes and standards for exempt staff. Mr. Green thanked Mr. Bendall and his staff for their great work and for keeping the Board informed. Mr. Kehoe expressed his concern about Disaster Recovery and its importance.

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**H. ADJOURNMENT**

The meeting was adjourned at 11:18 a.m.