

LIVE VIRTUAL COMMITTEE MEETING



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

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

AGENDA

A REGULAR MEETING OF THE AUDIT COMMITTEE
AND BOARD OF RETIREMENT AND BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., THURSDAY, AUGUST 26, 2021

This meeting will be conducted by the Audit Committee under the Governor's
Executive Order No. N-29-20.

Any person may view the meeting online at
https://members.lacera.com/lmpublic/live_stream.xhtml

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

2021 AUDIT COMMITTEE MEMBERS

Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

AUDIT COMMITTEE CONSULTANT

Robert H. Griffin

I. CALL TO ORDER

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Audit Committee Meeting of
June 24, 2021

August 26, 2021

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III. PUBLIC COMMENT

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

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

IV. NON-CONSENT ITEMS

- A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, and Christina Logan, Principal Internal Auditor: That the Audit Committee approve the Revised Internal Audit Charter. (Memo dated August 17, 2021)

V. REPORTS

- A. Internal Audit Annual Performance Report FYE June 30, 2021
Richard P. Bendall, Chief Audit Executive
Leisha Collins, Principal Internal Auditor
Christina Logan, Principal Internal Auditor
(Presentation) (Memo dated August 18, 2021)
- B. FYE 2022 Internal Audit Goals
Richard P. Bendall, Chief Audit Executive
Leisha E. Collins, Principal Internal Auditor
(Memo dated August 16, 2021)
- C. Status of Other External Audits Not Conducted at the Discretion of Internal Audit
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)
- D. Internal Audit Staffing Activity Report
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

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V. REPORTS (Continued)

E. Ethics Hotline Status Report

Richard P. Bendall, Chief Audit Executive

Kathryn Ton, Senior Internal Auditor

(For Information Only) (Memo dated August 13, 2021)

F. FYE 2022 Audit Plan Status Report

Richard P. Bendall, Chief Audit Executive

Leisha Collins, Principal Internal Auditor

(For Information Only) (Memo dated August 13, 2021)

G. 2021 Annual Audit Committee Calendar

Richard P. Bendall, Chief Audit Executive

Leisha E. Collins, Principal Internal Auditor

(For Information Only) (Memo dated July 30, 2021)

VI. CONSULTANT COMMENTS

Robert H. Griffin, Audit Committee Consultant

(Verbal Presentation)

VII. ITEMS FOR STAFF REVIEW

VIII. GOOD OF THE ORDER

(For Information Purposes Only)

XI. EXECUTIVE SESSION

A. Conference with Legal Counsel – Anticipated Litigation

Significant Exposure to Litigation (Pursuant to Paragraph (2) of Subdivision (d) of California Government Code Section 54956.9) and Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9)

No. Of Cases: 1

B. Performance Evaluation – Chief Audit Executive Goals Report

(Pursuant to Government Code Section 54957(b)(1)]

(FOR AUDIT COMMITTEE ONLY PER COUNTY SALARY ORDINANCE 6.127.040.S.1)

Title: Chief Audit Executive

August 26, 2021

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X. 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].

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

MINUTES OF THE REGULAR 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

9:00 A.M., THURSDAY, JUNE 24, 2021

This meeting was conducted by teleconference pursuant to the Governor's Executive Order N-29-20. The public may attend the meeting at LACERA's offices.

PRESENT: Shawn R. Kehoe, Vice Chair

Elizabeth H. Ginsberg, (Alternate Ex- Officio)

Ronald A. Okum

Gina V. Sanchez

ABSENT: Joseph Kelly, Chair

Vivian H. Gray, Secretary

Keith Knox

Alan J. Bernstein

MEMBERS AT LARGE

Herman Santos

STAFF, ADVISORS, PARTICIPANTS

Richard Bendall, Chief Audit Executive

Leisha Collins, Principal Internal Auditor

Christina Logan, Principal Internal Auditor

STAFF, ADVISORS, PARTICIPANTS (Continued)

Kathryn Ton, Senior Internal Auditor

Nathan K. Amick, Internal Auditor

Kathy Delino, Interim Systems Division Manager

Summy Voong, Interim Assistant IS Manager

Jean Young, Plante Moran, Partner, CPA

Amanda Cronk, Plante Moran, Senior Manager, CPA

Robert H. Griffin, Audit Committee Consultant

I. CALL TO ORDER

The meeting was called to order at 9:00 a.m., in the Board Room of Gateway Plaza.

II. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Special Audit Committee Meeting of June 24, 2021.

Mr. Kehoe made a motion, Ms. Sanchez seconded, to approve the minutes of the Regular Audit Committee meeting of June 24, 2021. The motion passed (roll call) with Messrs. Kehoe, Okum, Ms. Sanchez and Ms. Ginsberg voting yes.

III. PUBLIC COMMENT

Mr. Michael Guynn addressed the Board regarding the Baldwin Hills Crenshaw Plaza

IV. NON-CONSENT ITEMS

A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, Leisha E. Collins, Principal Internal Auditor, and Christina Logan, Principal Internal Auditor: That the Committee approve the proposed Fiscal Year 2021-2022 Internal Audit Plan. (Memo dated June 17, 2021)

IV. NON-CONSENT ITEMS (Continued)

Ms. Sanchez made a motion, Mr. Okum seconded, to approve staff's recommendation to approve the FY 2022 Audit Plan. The motion passed (rollcall) with Messrs. Kehoe, Okum, Ms. Sanchez and Ms. Ginsberg voting yes.

- B. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, George Lunde, Senior Internal Auditor and Nathan K. Amick, Internal Auditor: That the Committee review and discuss the Audit of Los Angeles County's Compliance with Requirements for Rehired Retirees and provide the following action(s):

1. Accept and file report;
2. Instruct staff to forward report to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
4. Provide further instruction to staff.
(Memo dated June 16, 2021)

Ms. Sanchez made a motion, Mr. Okum seconded, to accept and file the report. The motion passed (rollcall) with Messrs. Kehoe, Okum, Ms. Sanchez and Ms. Ginsberg voting yes.

- C. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, Leisha E. Collins, Principal Internal Auditor, Christina Logan, Principal Internal Auditor and Nathan K. Amick, Internal Auditor: That the Committee review and discuss the Title Holding Company (THC) Stale Check Review and provide the following action(s):

1. Accept and file report;
2. Instruct staff to forward report to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
4. Provide further instruction to staff.
(Memo dated June 16, 2021)

IV. NON-CONSENT ITEMS (Continued)

Mr. Okum made a motion, Ms. Sanchez seconded, to accept and file the report. The motion passed (rollcall) with Messrs. Kehoe, Okum, Ms. Sanchez and Ms. Ginsberg voting yes.

V. REPORTS

- A. Plante Moran Pre-Audit Communication
Jean Young, Partner, CPA
Amanda Cronk, Senior Manager, CPA
(Presentation) (Memo dated June 17, 2021)

Jean Young and Amanda Cronk from Plante & Moran presented a brief presentation and answered questions from the Committee.

- B. Ethics Hotline Overview
Richard P. Bendall, Chief Audit Executive
Kathryn Ton, Senior Internal Auditor
(Presentation) (Memo dated June 16, 2021)

Ms. Ton presented a brief presentation and answered questions from the Committee.

The following items were received and filed.

- C. Status of Other External Audits Not Conducted at the Discretion of Internal Audit
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)
- D. 2021 Audit Committee Annual Calendar
Richard P. Bendall, Chief Audit Executive
Christina Logan, Principal Internal Auditor
(Memo dated June 1, 2021)

V. REPORTS (Continued)

- E. Recommendation Follow-Up Report
Richard P. Bendall, Chief Audit Executive
Christina Logan, Principal Internal Auditor
(Memo dated June 17, 2021)

Ms. Delino and Mr. Voong were present and answered questions from the

Committee

- F. Recommendation Follow-Up KPMG's External Quality Assessment (EQA)
Internal Audit's Recommendation Follow-Up Process
Richard P. Bendall, Chief Audit Executive
Christina Logan, Principal Internal Auditor
(Memo dated June 10, 2021)

VI. CONSULTANT COMMENTS

Robert H. Griffin, Audit Committee Consultant
(Verbal Presentation)

Mr. Griffin provided comments to the Committee.

VII. REPORT ON STAFF ACTION ITEMS

The Committee requested that the Chief Executive Officer be notified of all ethics hotline calls, unless otherwise specified.

VIII. GOOD OF THE ORDER

The Committee thanked staff for their work.

IX. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 10:23 a.m.



August 17, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall 
Chief Audit Executive

Christina Logan 
Principal Internal Auditor

FOR: August 26, 2021 Audit Committee Meeting

SUBJECT: **Revised Internal Audit Charter**

RECOMMENDATION

The Audit Committee approve Internal Audit's revised Charter.

BACKGROUND

The Institute of Internal Auditors (IIA) requires internal audit functions to formally define the purpose, authority, and responsibilities of the group in a charter. Executive management and the Audit Committee must review and approve the charter. In addition, the IIA requires a periodic review of the internal audit charter to ensure it is aligned with the IIA's Model Internal Audit Charter (Attachment A), industry standards and organizational changes. The Internal Audit Charter (Charter) was established in 1996 and was last updated in June 2020.

Internal Audit completed its annual review of its Charter (Attachment B & C) to align with the approved changes made to the Audit Committee Charter in April 2021 (Attachment D). These changes primarily related to the approval of Internal Audit's fiscal year budget and contingency budget. During the April 2021 meeting, the Committee discussed the merits of having a dedicated budget contingency fund for the Committee versus the ability to obtain all necessary funding through the proposed new funding language added to the Audit Committee Charter:

Audit Committee Charter Section VII. (Responsibilities) F. **Audit Committee and Internal Audit Budget** *LACERA will provide appropriate funding, as determined by the Audit Committee, for compensation to the Financial Auditor, to any Professional Service Provider that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.*

The Committee concluded unanimously that the new language provided the Audit Committee with the necessary funding and agreed to strike the language that provided for the contingency. Therefore, staff has made the same revisions to the Internal Audit Charter to align with the Audit Committee Charter. The change is reflected on page 7 of the red-lined version of the Charter (Attachment B). The Chief Executive Officer has reviewed and approved the change.

RECOMMENDATION

The Audit Committee approve the revised Internal Audit Charter.

Attachments

RPB:cl



International Professional
Practices Framework

Supplemental Guidance

Model Internal Audit Activity Charter

The Model Internal Audit Activity Charter is designed to illustrate common practices typically set out in an internal audit activity charter. The generic nature of this draft is intended to encourage customization.

The document may not reflect all legal or regulatory requirements that exist in the every jurisdiction. Additionally, stakeholder expectations may influence the inclusion or deletion of certain practices.

In drafting an internal audit activity charter, the chief audit executive should exercise care to customize the charter, including replacing bracketed, blue text with language that accurately reflects the user's situation.



Purpose and Mission

The purpose of [name of organization]'s internal audit [department/activity] is to provide independent, objective assurance and consulting services designed to add value and improve [name of organization]'s operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit [department/activity] helps [name of organization] accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The internal audit [department/activity] will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The chief audit executive will report periodically to senior management and the [board/audit committee/supervisory committee] regarding the internal audit [department/activity]'s conformance to the Code of Ethics and the *Standards*.

Authority

The chief audit executive will report functionally to the [board/audit committee/supervisory committee] and administratively (i.e., day-to-day operations) to the [chief executive officer]. To establish, maintain, and assure that [name of organization]'s internal audit [department/activity] has sufficient authority to fulfill its duties, the [board/audit committee/supervisory committee] will:

- Approve the internal audit [department/activity]'s charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit [department/activity]'s budget and resource plan.
- Receive communications from the chief audit executive on the internal audit [department/activity]'s performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the chief audit executive.
- Approve the remuneration of the chief audit executive.
- Make appropriate inquiries of management and the chief audit executive to determine whether there is inappropriate scope or resource limitations.

The chief audit executive will have unrestricted access to, and communicate and interact directly with, the [board/audit committee/supervisory committee], including in private meetings without management present.

The [board/audit committee/supervisory committee] authorizes the internal audit [department/activity] to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of [name of organization], as well as other specialized services from within or outside [name of organization], in order to complete the engagement.

Independence and Objectivity

The chief audit executive will ensure that the internal audit [department/activity] remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief audit executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for [name of organization] or its affiliates.
- Initiating or approving transactions external to the internal audit [activity/department].



- Directing the activities of any [name of organization] employee not employed by the internal audit [department/activity], except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The chief audit executive will confirm to the [board/audit committee/supervisory committee], at least annually, the organizational independence of the internal audit [department/activity].

The chief audit executive will disclose to the [board/audit committee/supervisory committee] any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the [board/audit committee/supervisory committee], management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for [name of organization]. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of [name of organization]'s strategic objectives are appropriately identified and managed.
- The actions of [name of organization]'s officers, directors, employees, and contractors are in compliance with [name of organization]'s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.



- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact [name of organization].
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The chief audit executive will report periodically to senior management and the [board/audit committee/supervisory committee] regarding:

- The internal audit [department/activity]'s purpose, authority, and responsibility.
- The internal audit [department/activity]'s plan and performance relative to its plan.
- The internal audit [department/activity]'s conformance with The IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the [board/audit committee/supervisory committee].
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to [name of organization].

The chief audit executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit [department/activity] may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit [department/activity] does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The chief audit executive has the responsibility to:

- Submit, at least annually, to senior management and the [board/audit committee/supervisory committee] a risk-based internal audit plan for review and approval.



- Communicate to senior management and the [board/audit committee/supervisory committee] the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in [name of organization]'s business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the [board/audit committee/supervisory committee] any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the [board/audit committee/supervisory committee] any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit [department/activity] collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact [name of organization] are considered and communicated to senior management and the [board/audit committee/supervisory committee] as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit [department/activity].
- Ensure adherence to [name of organization]'s relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the [board/audit committee/supervisory committee].
- Ensure conformance of the internal audit [department/activity] with the *Standards*, with the following qualifications:
 - If the internal audit [department/activity] is prohibited by law or regulation from conformance with certain parts of the *Standards*, the chief audit executive will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
 - If the *Standards* are used in conjunction with requirements issued by [other authoritative bodies], the chief audit executive will ensure that the internal audit [department/activity] conforms with the *Standards*, even if the internal audit [department/activity] also conforms with the more restrictive requirements of [other authoritative bodies].



Quality Assurance and Improvement Program

The internal audit [department/activity] will maintain a quality assurance and improvement program that covers all aspects of the internal audit [department/activity]. The program will include an evaluation of the internal audit [department/activity]'s conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit [department/activity] and identify opportunities for improvement.

The chief audit executive will communicate to senior management and the [board/audit committee/supervisory committee] on the internal audit [department/activity]'s quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside [name of organization].

Approval/Signatures

Chief Audit Executive

Date

[Board/Audit Committee/Supervisory Committee] Chair

Date

[Chief Executive Officer]

Date



Internal Audit Charter

INTERNAL AUDIT SERVICES

August 2021~~June 2020~~

20210



INTERNAL AUDIT CHARTER

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INTERNAL AUDIT CHARTER

I. PURPOSE AND MISSION

The purpose of Internal Audit is to provide independent and objective assurance services, and consulting services designed to add value and improve LACERA's operations. The mission of Internal Audit is to enhance and protect LACERA's organizational values by providing risk-based and objective assurance, advice, and insight. Internal Audit helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

II. ROLE

The internal audit activity was established by the Audit Committee. Internal Audit's responsibilities are defined by the Audit Committee as part of the Audit Committee's oversight role.

III. OBJECTIVES

A. Assurance Objectives

The goal of assurance services is to provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the Audit Committee on governance, risk management, and control processes for LACERA. Assurance services include audits and continuous process testing to assess if the organization's assets are adequately safeguarded, operating efficiency is enhanced, and compliance is maintained with prescribed laws and LACERA policies. Assurance services also include the independent assessment of the organization's risk awareness, reliability, and integrity of the organization's data and the achievement of LACERA's goals and objectives.

B. Consulting Objectives

The objective of consulting services is to provide Management with formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility. Internal Audit will participate as consultants in the assessment and review of controls, policies, procedures, and systems, both manual and electronic. In addition, opportunities for improving management controls, and LACERA's image may be identified during audits; and these will be communicated to the appropriate level of Management.

C. Advisory Objectives

The objective of advisory services is to provide informal advice to Management. Having Internal Audit consult at the beginning of a project, aids management in identifying and managing risks effectively, and designing adequate internal controls. Examples of advisory services include participating in various committees in an ex-officio capacity;



providing routine advice on policies, establishing controls, providing training and risk management tools, and facilitating meetings.

IV. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, *the International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The CAE will report periodically to executive management and the Audit Committee regarding Internal Audit's conformance to the Code of Ethics and the *Standards*.

Additionally, Internal Audit will obtain guidance from the professional standards and practices of other, relevant professional organizations, including but not limited to, the American Institute of Certified Public Accountants, the Information Systems Audit and Control Association, the Associate of Certified Fraud Examiners, and the Association of Public Pension Fund Auditors.

V. ORGANIZATION

The Chief Audit Executive (CAE) reports functionally to the Audit Committee of the Board of Investments and Board of Retirement, and administratively to the Chief Executive Officer. This reporting structure provides for Internal Audit's independence and objectivity as required by professional standards.

The Audit Committee's roles and responsibilities are defined in the Audit Committee Charter.

VI. AUTHORITY

Internal Audit, with strict accountability for confidentiality, and safeguarding of records and information, is authorized full, free, and unrestricted access to any and all of LACERA's hard copy and electronic records, data maintained within IT systems or databases, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.

The CAE will have unrestricted access to, and communicate directly with the Audit Committee and Boards, subject to the requirements of the Ralph M. Brown Act (Government Code Section 54950, et seq.).

VII. INDEPENDENCE AND OBJECTIVITY

Internal Audit will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.



Internal Audit will be diligent in monitoring its own potential conflicts of interest in performing its Mission, Objectives, and Responsibility under this Charter. Where a conflict is identified, the Audit Committee will be advised, and a determination will be made by the Committee as to whether to proceed and procure an independent outside auditor. Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the Internal Auditor's judgment.

Internal Auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit division. The CAE will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

VIII. SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of LACERA's governance, risk management, and control processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

A. LACERA's Operations

1. Assess that management has established processes and systems that are operating within the highest fiduciary standards and are directed toward the requirements defined in the Federal and state laws, regulations, and LACERA policies and procedures.
2. Evaluate the efficiency and effectiveness of processes and resources deployed.
3. Review the reliability and integrity of financial and operational information, and the means used to identify, measure, classify, and report such information.

B. Values & Ethics

1. Assess LACERA's processes for promoting appropriate ethics and values within the organization.



2. Review Management's process for communicating and monitoring compliance with LACERA's Code of Ethical Conduct for all stakeholders.

C. Organizational Governance

1. Risk Management
 - a. Assess business risks and effectiveness of mitigating control mechanisms.
 - b. Assess Management's implementation and maintenance of an appropriate enterprise wide risk management process.
2. Fraud
 - a. Assess LACERA's processes for preventing and detecting fraud.
 - b. Oversee LACERA's Ethics Hotline process.
3. System of Internal Controls
 - a. Review Management's established system of internal control to ascertain whether it is functioning as designed.
4. System of Compliance
 - a. Review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.

D. Other Responsibilities

1. Evaluate the quality of performance of Professional Service Providers, including the Financial Auditor, and the degree of coordination with Internal Audit.
2. Evaluate specific operations at the request of the Audit Committee, Boards, or Management, as appropriate.

IX. ACCOUNTABILITY

The CAE, in the discharge of his/her duties, shall be accountable to Management and the Audit Committee to:

- A. Select, train, develop, and retain a competent Internal Audit staff that collectively has the abilities, knowledge, skills, experience, and professional certifications to meet the requirements of this Charter. Report to the Audit Committee significant changes in Internal Audit personnel.
- B. Annually develop a flexible audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, the Audit Committee, or the Boards. Submit the annual Audit Plan and significant interim changes to Executive Management and the Audit Committee for review and approval.



- C. Annually provide a proposed budget that corresponds to the annual Audit Plan ~~and Audit Reserve Fund~~.
- D. Issue reports to Management and the Audit Committee, at the conclusion of each Internal Audit engagement. The written reports will include Management's responses, and if applicable, Management's timetable for implementing recommendations or corrective actions.
- E. Establish and maintain a follow-up system to monitor the disposition of results communicated to Management and ensure Management actions have been effectively implemented or that Executive Management has accepted the risk of not taking action.
- F. Annually provide an assessment on Management's process for communicating and monitoring compliance with LACERA's Ethical Code of Conduct for all stakeholders.
- G. Annually provide an assessment on the adequacy and effectiveness of LACERA's organizational governance, including risk management, fraud, system of controls, and system of compliance.
- H. Provide a summary of all cases reported to the Ethics Hotline at each Audit Committee meeting.
- I. Report significant issues related to the processes for controlling the activities of LACERA and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- J. Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.

X. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the division's activities. The program will include an evaluation of the division's conformance with the Definition of Internal Auditing and the Standards, and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of Internal Audit's activity and identifies opportunities for improvement.

The CAE will communicate to Executive Management and the Audit Committee on the Internal Audit division's quality assurance and improvement program, including the results of internal assessments and external assessments which are conducted at least once every five years by a qualified, independent assessor.



XI. APPROVAL

This Internal Audit Charter (“IA Charter”) was reviewed and adopted by the Audit Committee on [August 26, 2021](#)~~June 25, 2020~~. This IA Charter is thereby effective this day and is hereby signed by the following persons who have authority and responsibilities under this Charter.

APPROVED AND ADOPTED BY:

[Joseph Kelly](#)
Chair, Audit Committee

Date

Santos H. Kreimann
Chief Executive Officer

Date

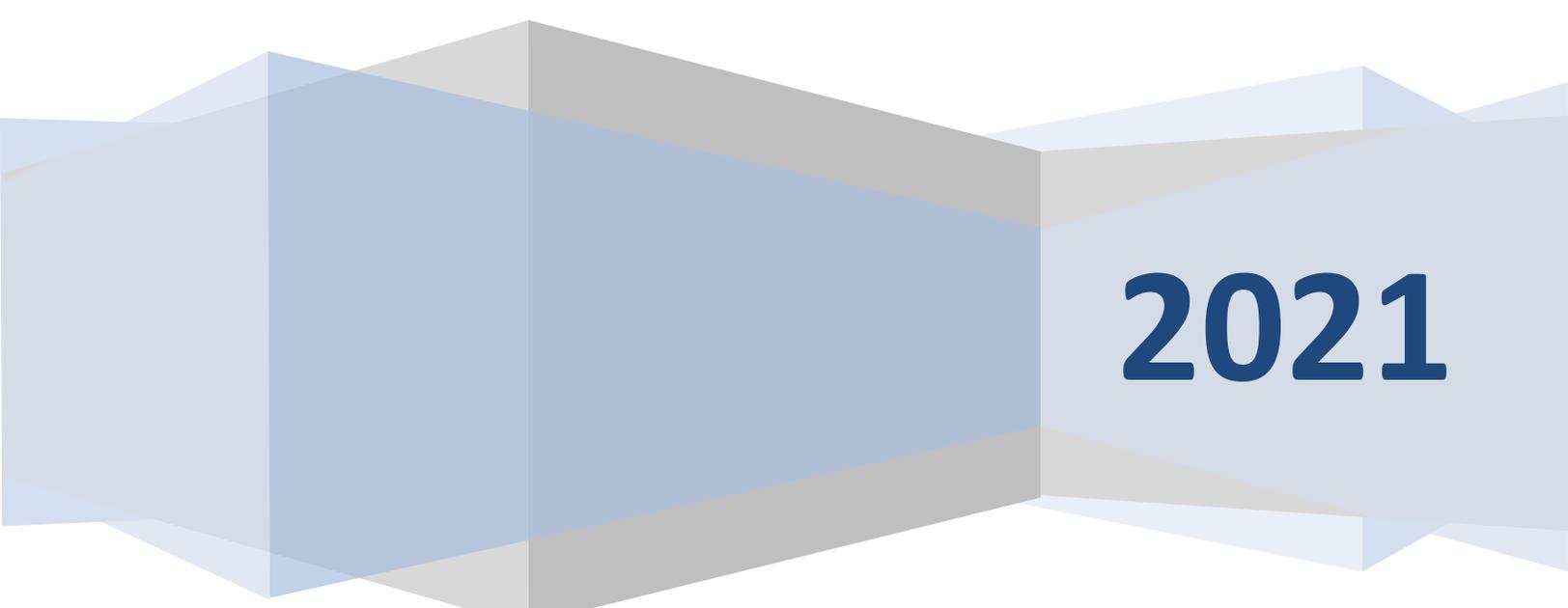
Richard Bendall
Chief Audit Executive

Date

Internal Audit Charter

INTERNAL AUDIT SERVICES

August 2021



2021



INTERNAL AUDIT CHARTER

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INTERNAL AUDIT CHARTER

I. PURPOSE AND MISSION

The purpose of Internal Audit is to provide independent and objective assurance services, and consulting services designed to add value and improve LACERA's operations. The mission of Internal Audit is to enhance and protect LACERA's organizational values by providing risk-based and objective assurance, advice, and insight. Internal Audit helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

II. ROLE

The internal audit activity was established by the Audit Committee. Internal Audit's responsibilities are defined by the Audit Committee as part of the Audit Committee's oversight role.

III. OBJECTIVES

A. Assurance Objectives

The goal of assurance services is to provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the Audit Committee on governance, risk management, and control processes for LACERA. Assurance services include audits and continuous process testing to assess if the organization's assets are adequately safeguarded, operating efficiency is enhanced, and compliance is maintained with prescribed laws and LACERA policies. Assurance services also include the independent assessment of the organization's risk awareness, reliability, and integrity of the organization's data and the achievement of LACERA's goals and objectives.

B. Consulting Objectives

The objective of consulting services is to provide Management with formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility. Internal Audit will participate as consultants in the assessment and review of controls, policies, procedures, and systems, both manual and electronic. In addition, opportunities for improving management controls, and LACERA's image may be identified during audits; and these will be communicated to the appropriate level of Management.

C. Advisory Objectives

The objective of advisory services is to provide informal advice to Management. Having Internal Audit consult at the beginning of a project, aids management in identifying and managing risks effectively, and designing adequate internal controls. Examples of advisory services include participating in various committees in ex-officio capacity;



providing routine advice on policies, establishing controls, providing training and risk management tools, and facilitating meetings.

IV. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, *the International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The CAE will report periodically to executive management and the Audit Committee regarding Internal Audit's conformance to the Code of Ethics and the *Standards*.

Additionally, Internal Audit will obtain guidance from the professional standards and practices of other, relevant professional organizations, including but not limited to, the American Institute of Certified Public Accountants, the Information Systems Audit and Control Association, the Associate of Certified Fraud Examiners, and the Association of Public Pension Fund Auditors.

V. ORGANIZATION

The Chief Audit Executive (CAE) reports functionally to the Audit Committee of the Board of Investments and Board of Retirement, and administratively to the Chief Executive Officer. This reporting structure provides for Internal Audit's independence and objectivity as required by professional standards.

The Audit Committee's roles and responsibilities are defined in the Audit Committee Charter.

VI. AUTHORITY

Internal Audit, with strict accountability for confidentiality, and safeguarding of records and information, is authorized full, free, and unrestricted access to any and all of LACERA's hard copy and electronic records, data maintained within IT systems or databases, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.

The CAE will have unrestricted access to, and communicate directly with the Audit Committee and Boards, subject to the requirements of the Ralph M. Brown Act (Government Code Section 54950, et seq.).

VII. INDEPENDENCE AND OBJECTIVITY

Internal Audit will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.



Internal Audit will be diligent in monitoring its own potential conflicts of interest in performing its Mission, Objectives, and Responsibility under this Charter. Where a conflict is identified, the Audit Committee will be advised, and a determination will be made by the Committee as to whether to proceed and procure an independent outside auditor. Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the Internal Auditor's judgment.

Internal Auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit division. The CAE will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

VIII. SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of LACERA's governance, risk management, and control processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

A. LACERA's Operations

1. Assess that management has established processes and systems that are operating within the highest fiduciary standards and are directed toward the requirements defined in the Federal and state laws, regulations, and LACERA policies and procedures.
2. Evaluate the efficiency and effectiveness of processes and resources deployed.
3. Review the reliability and integrity of financial and operational information, and the means used to identify, measure, classify, and report such information.

B. Values & Ethics

1. Assess LACERA's processes for promoting appropriate ethics and values within the organization.



2. Review Management's process for communicating and monitoring compliance with LACERA's Code of Ethical Conduct for all stakeholders.

C. Organizational Governance

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**XI. APPROVAL**

This Internal Audit Charter (“IA Charter”) was reviewed and adopted by the Audit Committee on August 26, 2021 . This IA Charter is thereby effective this day and is hereby signed by the following persons who have authority and responsibilities under this Charter.

APPROVED AND ADOPTED BY:

Joseph Kelly
Chair, Audit Committee

Date

Santos H. Kreimann
Chief Executive Officer

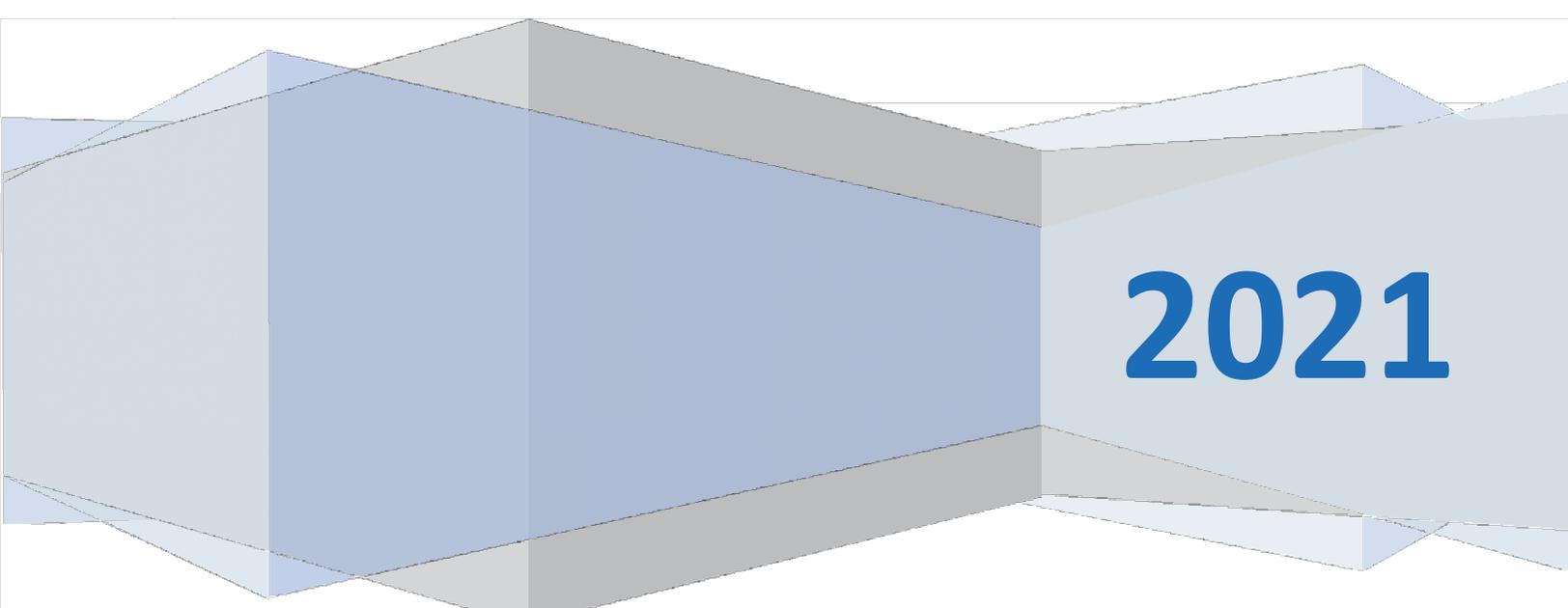
Date

Richard Bendall
Chief Audit Executive

Date

Audit Committee Charter

April 2021



2021



AUDIT COMMITTEE CHARTER

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AUDIT COMMITTEE CHARTER

I. CHARTER

This Charter establishes the authority and responsibilities of the Audit Committee, as assigned by Los Angeles County Employees Retirement Association's (LACERA) Board of Retirement and Board of Investments (Boards). The Audit Committee Charter is a living document and should be reviewed at least every three years.

II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

In November 2003, LACERA's Boards established the LACERA Audit Committee.

The purpose of the Audit Committee is to assist the Boards in fulfilling their fiduciary oversight duties for the:

- A. Internal Audit Activity
- B. Professional Service Provider Activity
- C. Financial Reporting Process
- D. Values and Ethics, and
- E. Organizational Governance
- F. Audit Committee and Internal Audit Budget

III. PRINCIPLES OF THE AUDIT COMMITTEE

The Audit Committee will conduct itself in accordance with LACERA's Code of Ethical Conduct and the following core principles from the Institute of Internal Auditors' (IIA) Code of Ethics. The Audit Committee expects the Boards, Management, and staff will also adhere to these requirements.

Integrity – The Audit Committee Members will perform their work with honesty, diligence, and responsibility. The Audit Committee expects and will encourage transparency when fulfilling its duties. Communications between Committee Members, Management, staff, and/or Professional Service Providers will be open, direct, and complete. Subject to applicable laws and organizational limitations, Internal Audit will regularly provide the Audit Committee with updates on audit and consulting projects completed and related findings and follow-up.

Independence & Objectivity - The Audit Committee will perform its responsibilities in an independent manner and in compliance with fiduciary duty without exception. Audit Committee Members will disclose any conflicts of interest (actual or perceived) to the Committee.

Confidentiality – The Audit Committee Members will be prudent in the use and protection of information acquired during the course of its duties.



Competency - Audit Committee Members will receive formal orientation training on the purpose and mandate of the Committee and LACERA's objectives. Audit Committee Members are obligated to prepare for and participate in Committee meetings.

Professional Standards - The Audit Committee will ensure all related work will be handled with the highest professional standards consistent with auditing standards of practice and industry guidelines.

IV. AUTHORITY

The Audit Committee will have unrestricted access to Management and staff, and any relevant information it considers necessary to discharge its duties. All employees are directed to cooperate with the Committee and its requests. If access to requested information is denied due to legal or confidentiality reasons, the Audit Committee and/or CAE will follow a prescribed, Board approved mechanism for resolution of the matter.

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of duties, including engaging independent counsel and/or other advisors it deems necessary.

V. AUDIT COMMITTEE COMPOSITION AND CONSULTANT

The Audit Committee will consist of seven members: three elected annually from each Board and the ex-officio member of both Boards, the Los Angeles County Treasurer. If any elected Audit Committee member leaves Board service or resigns from the Audit Committee prior to the completion of his or her term, the Board of the departing member, will elect a new Audit Committee member at the next regularly scheduled Board meeting.

The Committee shall have the authority to approve the hiring of the Audit Committee Consultant as an advisor through a Request for Proposal process. The Audit Committee Consultant will be designated as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Audit Committee Consultant's contract will be for three years.

At the first Committee meeting of each calendar year, the Committee shall elect a Chair, 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.



VI. AUDIT COMMITTEE MEETINGS

The Audit Committee will conduct regular meetings at least four times per year, with authority to convene additional meetings, as circumstances require. The time frame between Audit Committee meetings should not exceed four months.

All Committee Members are expected to attend each meeting.

All meetings of the Audit Committee shall be as noticed as joint meetings with the Board of Retirement and Board of Investments to allow for participation of all trustees in open and closed session Audit Committee discussions, provided that non-committee trustees may not make or second motions or vote and provided further that closed sessions to discuss the CAE's annual assessment and the Committee's recommendation to the Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE shall be noticed for attendance by Committee members only.

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 and also published on the LACERA website, lacera.com. The Committee will invite members of Management, Internal Auditors, Financial Auditors, all other Professional Service Providers, 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.

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 the seven-member Audit Committee, 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.

VII. RESPONSIBILITIES

A. Internal Audit Activity

1. Internal Audit Strategy and Annual Plan
 - a. Review and provide input on Internal Audit's annual risk assessment.
 - b. Review and approve Internal Audit's Annual Audit Plan (Plan) and resource plan, make recommendations concerning audit projects.
 - c. Review and monitor Internal Audit's activity relative to its Plan. Review and approve all major changes to the Plan.
2. Internal Audit Engagement & Follow-Up
 - a. Review and discuss engagement reports to take the following action(s):
 - i. accept and file report,
 - ii. instruct staff to forward report to Boards or Committees,
 - iii. make recommendations to the Boards or Committees regarding actions as may be required based on audit findings and/or,
 - iv. provide further instruction to staff.
 - b. Monitor Internal Audit's recommendations to ensure Management has adequately and timely addressed the risk(s) identified, either through implementing a new policy, procedure, or process, or accepting the associated risk.
 - c. Inquire whether any evidence of fraud has been identified during internal or external audit engagements, and evaluate what additional actions, if any, should be taken.
 - d. Inquire whether any audit or non-audit engagements have been completed but not reported to the Audit Committee; if so, inquire whether any matters of significance arose from such work.
 - e. Review and advise Management and the Boards on the results of any special investigations.



3. Standards Conformance
 - a. Approve the Internal Audit Charter.
 - b. Ensure the Internal Audit Division conforms with the IIA's International Standards for the Professional Practice of Internal Audit, particularly the independence of Internal Audit and its organizational structure.
 - c. Ensure the Internal Audit Division has a quality assurance and improvement program (QAIP), and that the results of these periodic assessments are presented to the Audit Committee.
 - d. Ensure the Internal Audit Division has an external quality assurance review every five years. Review the results of the external quality assurance review and monitor the implementation of related recommendations.

Advise the Boards about any recommendations for the continuous improvement of the internal audit activity.

4. Chief Audit Executive (CAE)

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:

- a. 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).
- b. 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).
- c. Administer the CAE's annual salary adjustment using the Boards' established compensation structure.

B. Professional Service Provider Activity

The Audit Committee is responsible for the oversight of all work performed by professional service providers (Service Providers) for audits, reviews, or investigations, including the audit of LACERA's financial statements.



1. Approve the appointment and compensation of the Financial Auditor, hired to perform an independent audit of LACERA's financial statements. Oversee the work of the Financial Auditor, including review of the Financial Auditor's proposed audit scope and approach, as well as coordination with Internal Audit and Management.
2. Approve the appointment and compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.
3. Review the Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.
4. Resolve any significant disagreements regarding risks, findings and/or compensation between management and Professional Service Providers

C. Financial Reporting Process

The Audit Committee is responsible for oversight of the independent audit of LACERA's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

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 Financial 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 Financial Auditors all matters required to be communicated to the Committee under *Generally Accepted Auditing Standards*.

D. Values and Ethics

1. Review and assess LACERA's Code of Ethical Conduct established by the Boards and Management.
2. Annually, review Management's process for communicating LACERA's Code of Ethical Conduct to Trustees, Management, and staff, and for monitoring compliance therewith.



3. Review reports received relating to conflicts of interest and ethics issues, and if appropriate, make a recommendation to the Boards.

E. Organizational Governance

To obtain reasonable assurance with respect to LACERA's governance process, the Audit Committee will review and provide advice on the governance process established and maintained, and the procedures in place to ensure they are operating as intended.

1. Risk Management

- a. Annually review LACERA's risk profile.
- b. Obtain from the CAE an annual report on Management's implementation and maintenance of an appropriate enterprise-wide risk management process. Provide advice on the risk management processes established and maintained, and the procedures in place to ensure that they are operating as intended.
- c. Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Management and the Boards.

2. Fraud

- a. Oversee Management's arrangements for the prevention and detection of fraud, including ensuring adequate time is spent discussing and raising awareness about fraud and the Hotline.
- b. Review a summary of Hotline reports, and if appropriate make a recommendation to the Boards.

3. System of Internal Controls

- a. Consider the effectiveness of LACERA's internal control system, including information technology security and control, as well as all other aspects of LACERA's operations.
- b. 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.
- c. Review and provide advice on control of LACERA as a whole and its individual divisions.

4. System of Compliance

- a. Annually, review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.



- b. As needed, review the observations and findings of any examinations by regulatory agencies.
- c. Obtain regular updates from Management and LACERA’s Legal Office regarding compliance matters.
- d. At least annually, review reported activity to ensure issues of fraud, noncompliance, and/or inappropriate activities are being addressed.

F. Audit Committee and Internal Audit Budget

LACERA will provide appropriate funding, as determined by the Audit Committee, for compensation to the Financial Auditor, to any Professional Service Provider that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

G. 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, all Professional Service Providers, including the Financial Auditor, 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 at least every three years, requesting the Boards’ approval for proposed changes.

VIII. APPROVAL

This Charter was reviewed by the Audit Committee on April 23, 2021, and approved by the Board of Retirement on July 7, 2021, and the Board of Investments on July 14, 2021. This Charter is thereby effective July 14, 2021 and is hereby signed by the following persons who have authority and responsibilities under this Charter.

*Joseph Kelly**July 19, 2021*

Joseph Kelly
Chair, Audit Committee

Date

*Keith Knox**July 19, 2021*

Keith Knox
Chair, Board of Investments

Date

*Alan Bernstein**July 19, 2021*

Alan Bernstein
Chair, Board of Retirement

Date



August 18, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall 
Chief Audit Executive

Leisha E. Collins 
Principal Internal Auditor

Christina Logan
Principal Internal Auditor

FOR: August 26, 2021 Audit Committee Meeting

SUBJECT: **Internal Audit Annual Performance Report FYE June 30, 2021**

Attached is Internal Audit's Annual Performance Report which highlights work performed in completion of our FYE 2021 Audit Plan. Staff will provide a presentation of the report at the August 2021 meeting.

We welcome the opportunity for discussion and feedback from the Committee.

RPB:lc

Annual
Performance
Report

Fiscal Year
Ended
June 30, 2021



Executive Summary



It was a transformative year for Internal Audit, as we evaluated our internal operations and practices. Through our Quality Assurance Improvement Program (QAIP), we focused on four significant areas for development during the year: our audit report format, audit workpaper process, risk assessment process, and recommendation follow-up. These efforts were supplemented by the acquisition and implementation of a significant upgrade to our audit workpaper software, TeamMate+.

Some of Internal Audit's notable accomplishments during the year include:

- Provided support and stewardship of the first SOC 1 Type II review of LACERA's systems for OPEB reporting.
- Improved our recommendation follow-up process to include monthly updates from management and bi-monthly meetings with the Executive Office, and training on the process to LACERA management team.
- Closed out recommendations related to IT Sensitive Areas, making significant progress on those related to information security.
- Established a pre-qualified, Audit Committee approved pool of external firms to perform audits and consulting projects in areas where either the technical expertise of the firms or an outside perspective is desired to supplement the work performed by internal staff.
- Contributed to the completion of an InfoSec End-User Manual.
- Revised the Audit Committee Charter which enhanced the independence of the Audit Committee.

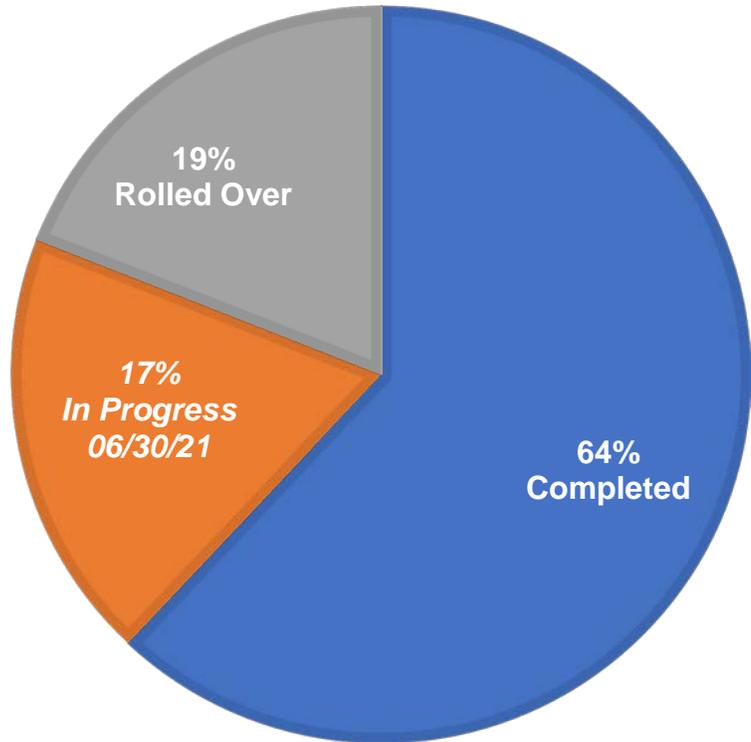
FYE 2021 AUDIT PLAN

Audit Projects		Project Type	YTD 6/31/21	Est. Hours	Hours Variance	Status
EXECUTIVE / LEGAL / ORGANIZATION						
1	Audit Committee Composition	Advisory	171	150	(21)	Completed
2	LA County Audit – Recommendation Oversight	Consulting	47	100	53	Completed
3	Form 700 Compliance Audit	Assurance	52	200	148	Postponed
4	Fiduciary Review Planning	Advisory	90	250	160	Completed
5	Business Continuity / Disaster Recovery	Assurance	44	300	256	Completed
6	Ethical Cultural Assessment	Consulting	5	300	295	Postponed
7	SOC 1 Type 2 Engagement (External)	Assurance	401	400	(1)	Completed
8	Governance, Risk, Ethics, Fraud, Compliance	Consulting	35	500	465	In Progress
9	Ethics Hotline & Investigations	Consulting	204	200	(4)	Completed
ADMINISTRATION						
10	IT End-User Manual	Advisory	90	150	60	Completed
11	Penetration Tests (External)	Assurance	0	150	150	Postponed to FY 2022
12	Contract Compliance / Third Party Data Security	Assurance	16	300	284	In Progress
13	Security Incident Management Review (External)	Assurance	0	100	100	Postponed to FY 2022
14	Privilege Access Review	Assurance	0	100	100	Postponed to FY 2022
15	Updated Inventory Process	Consulting	23	150	127	Completed
16	Employee Salary Bonuses	Assurance	59	200	141	In Progress
17	Continuous Auditing Program - Administration	Assurance	246	400	154	Completed
INVESTMENTS & FASD						
18	Accounts Payables	Assurance	157	150	(7)	In Progress
19	Corporate Credit Cards	Assurance	433	300	(133)	Report issued 10/5/20
20	Investments Due Diligence	Assurance	6	400	394	In Progress
21	Oversight of Actuarial Services (External)	Advisory	141	150	9	Completed
22	Oversight of Financial Audit (External)	Advisory	506	450	(56)	Completed
23	Oversight of THC RE Financial A	Advisory	154	150	(4)	Completed
24	Real Estate Manager Reviews	Assurance	358	200	(158)	Completed
25	Custodial Bank Services	Advisory	14	100	86	Completed
26	Updated Wire Transfer Process	Advisory	0	150	150	Completed
OPERATIONS						
27	Death Legal Process Audit	Assurance	175	200	25	Report issued 2/2/21
28	LA County Rehired Retirees	Assurance	385	200	(185)	Report Issued 6/15/21
29	Member Benefits Calculation Audit / Database	Assurance	0	300	300	Postponed to FY 2022
30	Quality Assurance Operations Review	Consulting	644	450	(194)	Report issued 4/9/21
31	Foreign Payee Audit	Assurance	7	150	143	In Progress
32	Governance, Risk, and Controls - Benefits	Consulting	7	400	393	Postponed to FY 2022
33	Governance, Risk, and Controls - RHC	Consulting	0	250	250	Postponed
34	Account Settlement Collections (ASC)	Advisory	0	150	150	Postponed to FY 2022
35	Continuous Audit Program - Operations	Assurance	810	500	(310)	Completed
IA ADMINISTRATION PROJECTS						
36	Audit Pool – RFP	Assurance	501	400	(101)	Completed
37	TeamMate Optimization	Admin	822	500	(322)	Completed
38	Annual Risk Assessment & Audit Plan	Assurance	267	300	33	Completed
39	External Quality Assessment Review	Admin	40	100	60	In Progress
40	Audit Committee Support	Admin	870	300	(570)	Completed
41	Professional Development	Admin	330	250	(80)	Completed
42	Quality Assurance & Improvement Program	Admin	264	300	36	Completed
43	Recommendation Follow-Up	Assurance	968	250	(718)	Completed
UNPLANNED PROJECTS						
44	KPMG Reco Follow-up	Admin	210	0	(210)	Report Issued 12/31/20
45	Real Estate THC Deposit Review	Assurance	401	0	(401)	Report Issued 6/15/21
46	THC Stale Operations Consulting	Advisory	65	0	(65)	In Progress
47	SSNVS Audit	Assurance	258	0	(258)	Report issued 2/2/21
TOTALS			10276	11000	724	

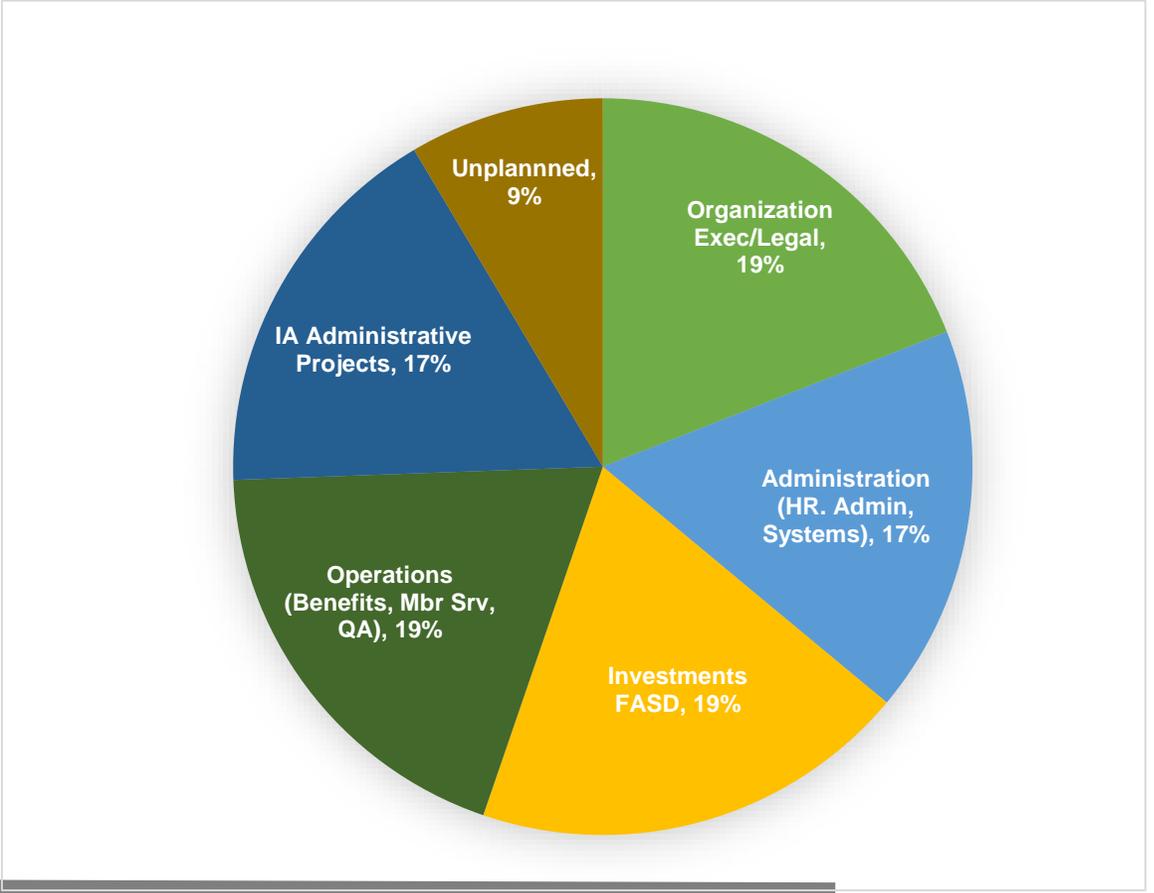
FYE 2021 AUDIT PLAN



81% of FY 2021 Audit Plan Completed or In Progress



Internal Audit Coverage Throughout LACERA



FYE 2021 HOT SPOTS



Hot Spots in 2021			
<p>Member Benefits</p> <ul style="list-style-type: none"> • Death Legal Unit Audit • QA Operations Review • Rehired Retirees Audit • CAP Testing: <ul style="list-style-type: none"> • New Employees • Pay Code • Minor Survivor • Census Data 	<p>IT Security</p> <ul style="list-style-type: none"> • Assisted in development of IT End User Manual • Monthly InfoSec Meetings • IT Sensitive Reco Follow-Up • CAP Testing • Soc1 Type 2 Audit • Established IT Audit Pool 	<p>Investments</p> <ul style="list-style-type: none"> • Real Estate Manager Compliance Reviews • THC Stale Check Review • Real Estate THC Operations Consulting Engagement • Wire Transfers Consulting • Custodial Bank Consulting • Established Inv. Audit Pool 	<p>Organizational</p> <ul style="list-style-type: none"> • Annual Risk Assessment and Reporting to AC • Fiduciary Planning Group • LIRT (CAE participates) • Credit Card Audit • Biweekly meetings with Exec Office
<p>Hot Spots Top-of-mind audits and projects that address key-risk areas and ongoing initiatives that are consistently referenced during risk assessment sessions, Board meetings, and/or identified during prior year audits.</p>		<p>Fraud</p> <ul style="list-style-type: none"> • Oversight of Ethics Hotline • Hotline & Special Investigations • Follow Up on LA County Hotline Incidents • CAP Testing 	<p>Internal Audit</p> <ul style="list-style-type: none"> • Refinement of Reco Follow-Up Process • Enhanced Audit Report • Development of Finding Disposition Report • Implementation of TeamMate+ Upgrade • Enhanced Risk Assessment Process • Established Audit Pool

SIGNIFICANT PROJECTS COMPLETED FYE 2021



Project	Description
Audits in Key Areas	Audit were completed in the following areas: Death Legal Unit, Credit Card Compliance, Quality Assurance Operations, LA County Rehired Retirees, Real Estate Audits THC Stale Check and Real Estate Manager Compliance Reviews.
SOC-1 Engagement	Review of OPEB's system and operational controls to ensure their design and operating effectiveness. Due to the complexity of this audit engagement, Internal Audit oversees data requests, works with key stakeholders to ensure delivery of data, coordinates the meetings, interviews, and other logistics to ensure the project goes smoothly.
Oversight of the External Financial Audit	Internal Audit continues to oversee LACERA's External Financial Audit, which includes coordinating meetings, gathering support and other administrative tasks, and ensuring audit deadlines are met.
Ethics Hotline & Investigations	Administrator, investigate, and oversee various hotline cases. Also, IA coordinates meetings with key divisions involved in the investigation of incidents, tracks and records resolution of cases.
IT End User Manual	Led a working group to create an IT End-User Manual for all staff. Work included updating and creating new IT policies.
RFP Audit Pool	Issued an RFP and reviewed proposals for professional service providers to provide audit services for organizational, investments, and systems work. Received Audit Committee approval for the recommended professional service providers. Worked with Legal and the firms to finalize contracts.

Key Administrative Projects Completed in FY 2021

Project	Description
Quality Assurance Improvement Program (QAIP)	The QAIP includes ongoing improvement of IA. Improvements resulting from the QAIP include enhancements to our audit report structure, the establishment of risk rankings for findings, and preliminary risk assessment to develop audit scope.
KPMG Reco Follow-Up Audit	Provided supporting documentation for KPMG's audit. Implemented recommendations.
Audit Committee Consultant	Issued an RFP and reviewed proposals for an Audit Committee Consultant. Received Audit Committee approval for the recommended consultant.
Reco Follow-Up	Internal Audit enhanced procedures and incorporated standardized forms into the Recommendation Follow-Up Process. Internal Audit provided an overview of the revised recommendation follow-up process at the March Management meeting.
Annual Risk Assessment & Audit Planning	Issued a risk survey to all division managers. Conducted meetings with each manager to discuss significant changes in their divisions, as well as risks, and controls impacting their critical business functions. Held discussion with the Executive Office. Prepared an organization-wide risk assessment which was used for development of the audit plan.
Teammate Optimization	Transitioned to TeamMate+ (TM+), an upgraded version of our former TM systems that is used for audit workpapers and reporting. This project included working with a TM consultant to help optimize our usage of the product and training.
Audit Committee Charter	The Audit Committee Charter was updated at the April Audit Committee Meeting. The Charter was approved by both Boards in July 2021.
Audit Committee Support	Provided the Audit Committee with educational resources, including strengthening the Committee's independence, 2021 risks, and the updated Three Lines Model. Created an Audit Committee Calendar. Revised the Audit Committee Charter twice during the year.

Other Value-Added Activities



Activity	Impact / Value-Added
Assessed the contracts for LACERA's financial auditor, actuary, and audit actuary to determine best timelines for going out to bid.	Assisted in determination and timely extension of existing contracts.
Met bi-monthly with the Executive Office to review outstanding recommendations and other current issues.	Strengthened the partnership and communication between the Executive Office and IA.
Met monthly with Systems Division Office to review outstanding sensitive IT recommendations.	Helped to ensure recommendations were being addressed timely.
Met monthly with the Information Security Office to understand current concerns and on-going projects.	Strengthened the partnership and communication between Information Security Office and IA.
Participated in discussions on revised Education and Travel Policies.	Contributed to the Board presentations and memos on the revised policies.
Reviewed and provided feedback to the Legal Office regarding LACERA's Code of Ethical Conduct.	Provided feedback to help improve LACERA's Code of Ethical Conduct.
Participated in discussions regarding revising the ADR process.	Provided input in developing a more efficient and effective process.
Participated in meetings regarding the implementation of a new travel solution.	Helped to ensure the recommendation was being addressed timely and all parties were communicating effectively.

Quality Assurance & Improvement Program (QAIP)



Periodic Self-Assessment as of June 30, 2021

Key Conformance Criteria	Generally Conforms
A. Internal Audit Governance	
1. Purpose, Authority, and Responsibility	✓
2. Independence & Objectivity	✓
3. Quality Assurance Program	✓
B. Internal Audit Staff	
1. Proficiency	✓
C. Internal Audit Management	
1. Planning	✓
2. Nature of Work	✓
D. Internal Audit Process	
1. Operations Guide	✓
2. Engagement Planning	✓
3. Engagement Reporting	✓
4. Recommendation Follow-Up	✓

As part of IA's QAIP, we conducted a Periodic Self-Assessment based on a template provided by the IIA. In our opinion, we generally conform (*the highest rating*) with the IIA's criteria, but we recognize there are areas where we can improve our efficiency and effectiveness.

During FYE June 30, 2021, IA focused on:

1. Conducting monthly internal QAIP meetings to discuss changes to processes, suggestions, and other current issues.
2. Revising our Recommendation Follow-Up process as the result of KPMG's assessment of our process.
3. Implementing a new audit software, TeamMate+, to more efficiently document and track our audits, projects, and recommendation.
4. Surveying division managers after an audit engagement to get feedback for improvement.

During FYE June 30, 2022, IA will continue to focus on the above areas, and will work to develop and implement an On-Going Monitoring program as required by the IIA.

Summary of Goals



Goal #1: Develop and execute an Optimal Audit Plan



Score Performance Measures:

100	<p>Conduct annual and ongoing risk assessments and incorporate results in the Audit Plan. We conducted our annual risk assessment process from February – May 2021 and conducted 100 engagement-level risk assessments for all assurance projects. The results of both risk assessments were used in the development of the FYE June 30, 2022 Audit Plan.</p>
100	<p>Expend 70% or more of total available Internal Audit staff hours (excluding uncontrollable leave) on direct assurance, consulting, and advisory services. We spent 75% of total available staff hours on assurance, consulting, and advisory services.</p>
100	<p>Ensure internal audit processes are in accordance with internal auditing standards. We are in compliance with all of the IIA's standards. See slide 9.</p>

Goal #2: Facilitate Audit Committee Governance



Score Performance Measures:

100	<p>Provide quarterly educational resources on effective Audit Committee practices. For FYE 2021, we held six meetings during which we provided Strengthening the AC (October 2020), OnRisk (Feb 2021), Three Lines (April 2021). Additionally, we coordinated two presentations on cybersecurity with InfoSec in October 2020 and December 2020.</p>
50	<p>Advise in the development of LACERA's Governance, Risk, and Compliance Programs and annually update the AC on progress. In Progress. Will report in FYE 2022.</p>
75	<p>Obtain annually the Audit Committee's feedback on Internal Audit performance and expectations. In Progress. Provide feedback to CAE's evaluation. Provided feedback in Feb - April 2021 on risks. Will survey AC in upcoming FYE.</p>

Summary of Goals



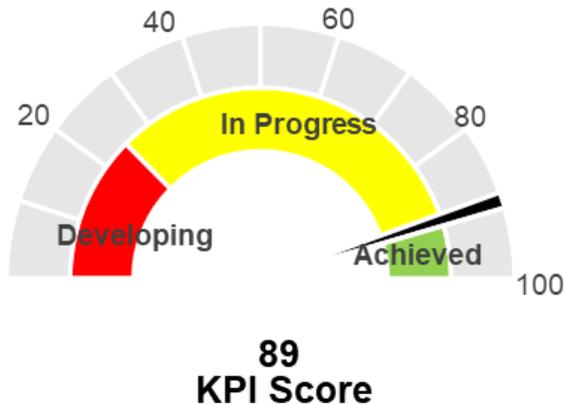
Goal #3: Continue to improve Internal Audit's processes



Score Performance Measures:

Complete an External Quality Assessment and obtain a "Generally Conforms" rating. 50 We issued the RFP was issued in August 2021.
Administer Audit Surveys on 100% of audit engagements. 100 We issued and received surveys for all audit engagements. See Surveys on slide 12.
Continue to employ new project management tools to improve efficiency & timeliness of the audit process. 100 We have spent the year revising our processes, including the implementation of TeamMate+.
Develop & operationalize key performance indicators to improve IA's efficiency & effectiveness. 80 We have developed key performance indictors & will operationalize them in FYE June 30, 2022.

Goal #4: Ensure continued competence and expertise of Internal Audit



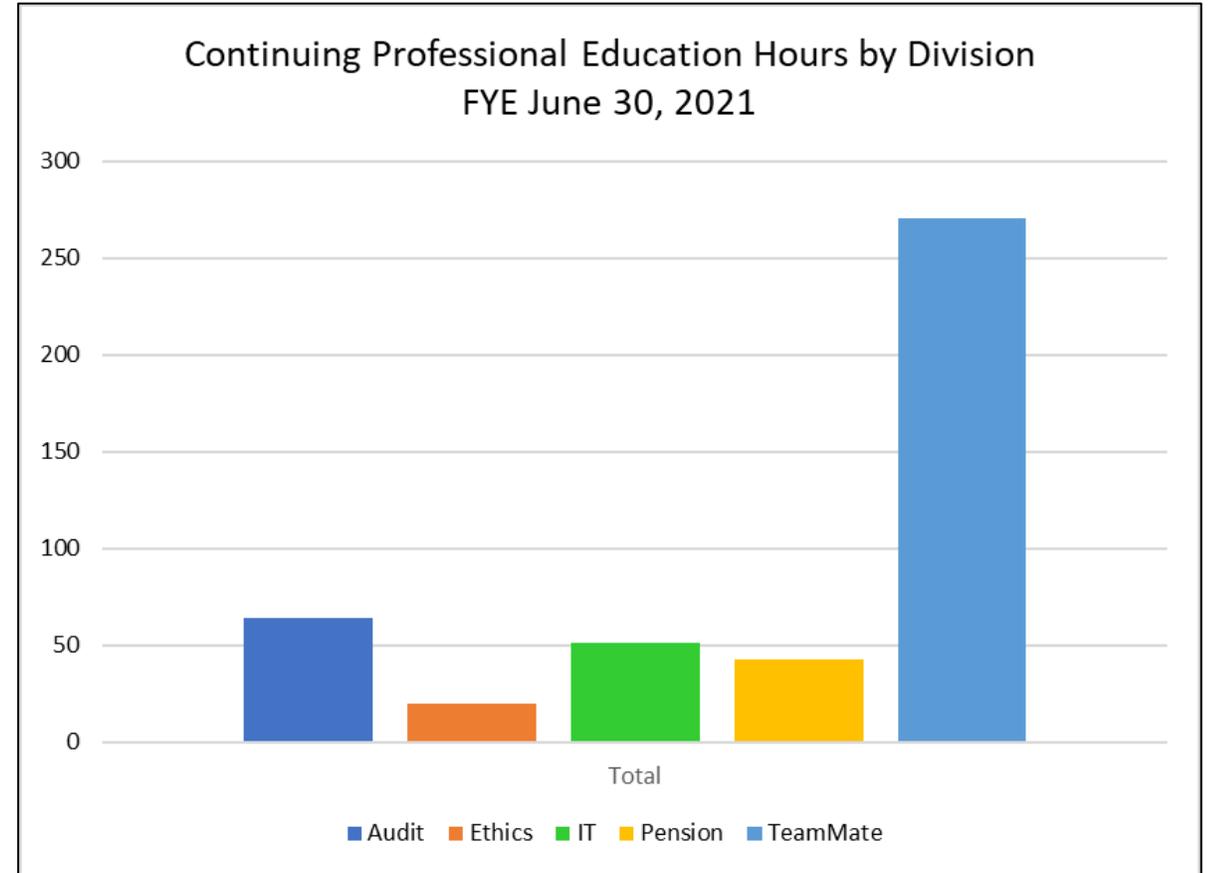
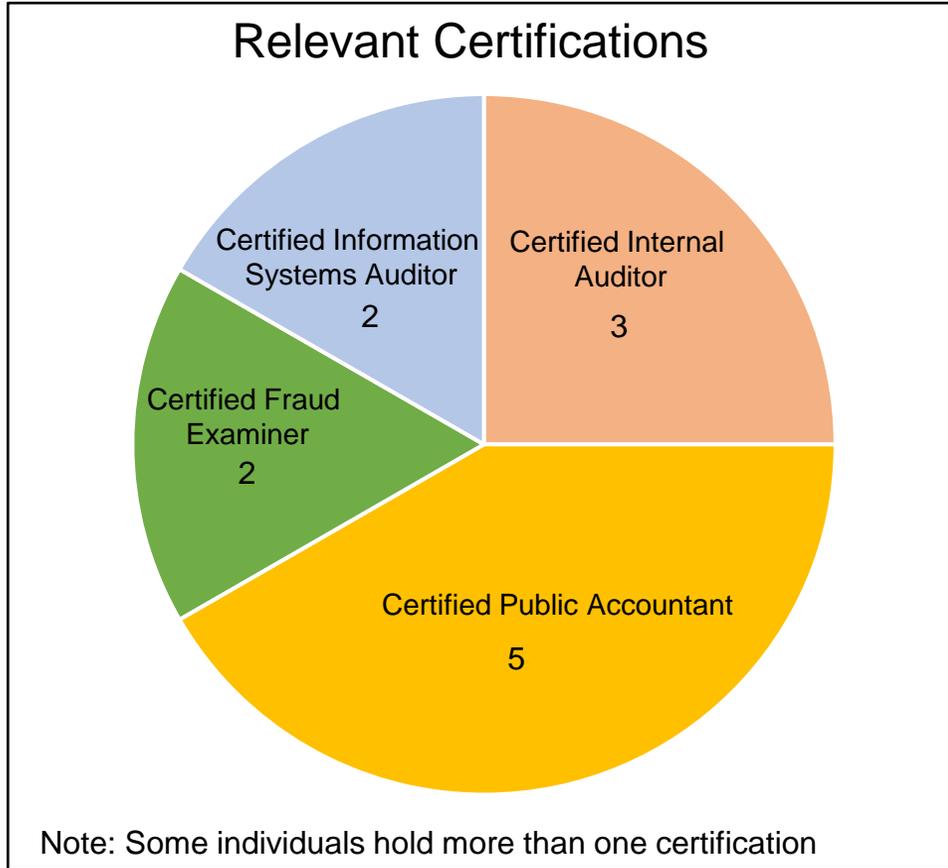
Score Performance Measures:

Complete an External Quality Assessment and obtain a "Generally Conforms" rating. 50 We issued the RFP in August 2021.
Administer Audit Surveys on 100% of audit engagements. 100 We issued and received surveys for all audit engagements. See Surveys on slide 12.
Continue to employ new project management tools to improve efficiency & timeliness of the audit process. 100 We have spent the year revising our processes, including the implementation of TeamMate+.
Develop & operationalize key performance indicators to improve IA's efficiency & effectiveness. 80 We have developed key performance indictors & will operationalize them in FYE June 30, 2022.

Professional Qualifications and Development



Part of the measure of an internal audit department is the qualifications and professional development of the personnel. We currently have eight full-time auditors in the division.



Questions



August 16, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall 
Chief Audit Executive

Leisha E. Collins 
Principal Internal Auditor

FOR: August 26, 2021 Audit Committee Meeting

SUBJECT: FYE 2022 Internal Audit Goals

Attached are the FYE 2021-2022 Internal Audit Division Goals. To remain a highly efficient and effective Internal Audit function, we have established goals in three areas: 1) Successful Execution of the Audit Plan, 2) Continued Improvement in Internal Audit's Presence and Value to the Organization and 3) Continued Enhancements of Internal Audit's Competence and Efficiencies. Attachment A provides a description of each goal and the associated performance measurements.

We welcome the opportunity for discussion and feedback from the Committee.

RPB:lec

Internal Audit Goals - FYE 2022

Goal 1: Develop and Execute a Risk-Based Annual Audit Plan

Performance Measures:

- Complete 80% or more of Audit Plan in the fiscal year.
- Complete semi-annual Risk Assessment.
- Expend 70% or more of total available staff hours (excluding uncontrollable leave) on direct assurance, consulting, and advisory services.
- Ensure at least 75% of recommendations are implemented within the prescribed implementation timeline.

Estimated Completion Date: June 30, 2022

Goal 2: Continue to improve Internal Audit's Presence and Value with Stake Holders

Performance Measures:

- Receive 80% or higher overall scores from Audit Committee in the performance of audit work and support (*Rollover from FY 2021.*)
- Receive 80% or higher overall satisfaction on post-audit client surveys.
- Receive 80% or higher overall scores from feedback from the Executive Office
- Provide training to the Audit Committee at least three times per year in relevant areas of their responsibilities.
- Provide training to MAC/SAC on Internal Audit's role at LACERA.

Estimated Completion Date: June 30, 2022

Goal 3: Continue to Enhance Internal Audit's Competence and Efficiencies

Performance Measures:

- Complete an External Quality Assessment and obtain the highest rating "Generally Conforms" rating (*Rollover from FY 2021.*)
- 100% of Staff complete their Annual Training Plan
- 100% of Internal Audit projects are documented and approved in TeamMate+

Estimated Completion Date: June 30, 2022

**FOR INFORMATION ONLY**

August 13, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan Bernstein
Keith Knox
Ronald Okum
Gina V. Sanchez

Audit Committee Consultant
Robert Griffin

FROM: Richard P. Bendall 
Chief Audit Executive

Kathryn Ton 
Senior Internal Auditor

FOR: August 26, 2021 Audit Committee Meeting

SUBJECT: **Ethics Hotline Status Report**

The purpose of this memorandum is to provide the Committee with information on ethics cases handled by LACERA. LACERA has contracted with NAVEX Global's EthicsPoint since November 2019 for its ethics hotline reporting and case management needs.

To date, LACERA has received six case reports, four of which have been closed and two of which are under investigation at this time.

Issue Type	Count	Status
Retaliation	1	In-progress
Harassment	1	In-progress
Accounting & Auditing Matters	1	Closed
Time Abuse	2	Closed
Violations of Policy	1	Closed

Staff will continue to provide updates to the Committee on future reports.

RPB:kt

**FOR INFORMATION ONLY**

August 13, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall 
Chief Audit Executive

Leisha E. Collins 
Principal Internal Auditor

FOR: August 26, 2021 Audit Committee Meeting

SUBJECT: **FYE 2022 Audit Plan Status Report**

BACKGROUND

According to the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing (Standards), the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity and ensure audit resources are appropriately allocated to address top priorities and key risk areas for the organization. To remain in compliance with the Standards, Internal Audit developed the FYE 2022 Audit Plan (Audit Plan) which was approved at the June 2021 Audit Committee Meeting.

As of July 31, 2021, work has commenced on half of the 44 projects included in the Audit Plan (Attachment A). A brief description of each project is included in Attachment B.

RPB:lc

Attachments

Attachment A

AUDIT PLAN FYE 2022

Audit Projects	Service Type	Frequency	Audit Assignment	Estimated Internal Hours	Actual Hours	Variance
EXECUTIVE / LEGAL / ORGANIZATION						
1 Organizational Governance Review	Consulting	Annual	External	200	4	196
2 Organizational Ethics & Values Review	Consulting	Annual	External	100	15	85
3 Oversight of SOC-1 Type 2	Assurance	Annual	Internal	400	48	352
4 Business Continuity Plan / Disaster Recovery	Consulting	Periodic	Internal	150		150
5 Review of Prior Privacy Audit	Assurance	Periodic	Internal	200		200
6 Organizational Check Management Policy Review	Consulting	Periodic	Internal	300		300
7 Ethics Hotline & Investigations	Consulting	Annual	Internal	200	32	168
8 Audit of Board Vantage Security Settings	Assurance	Periodic	Internal	100		100
ADMINISTRATION - Admin Services, HR, Systems						
9 Continous Auditing Program	Assurance	Continuous	Internal	500	69	431
10 Recommendation Follow-Up	Assurance	Continuous	Internal	250	6	244
11 Procurement Audit	Assurance	Periodic	Internal	300		300
12 Review of HR's Recruiting & Hiring Processes	Consulting	Periodic	External	100	3	97
13 Employee Salary Bonuses Audit	Assurance	Periodic	Internal	150	28	122
14 Penetration & Social Engineering Audit	Assurance	Annual	External	100	22	78
15 Review of IT Policies	Advisory	Periodic	Internal	100		100
16 Cyber Security Incident Events Management (SIEM)	Assurance	Periodic	External	100		100
17 Privilege Access Audit	Assurance	Periodic	Internal	100		100
INVESTMENTS & FASD						
18 Oversight of THC RE Financial Audits	Assurance	Annual	Internal	100	10	90
19 Oversight of Real Estate Manager Reviews	Assurance	Annual	Internal	100	7	93
20 Oversight of Actuarial Services	Assurance	Annual	Internal	100	3	97
21 Oversight of Financial Audit	Assurance	Annual	Internal	450	15	435
22 Investments Due Diligence	Consulting	Periodic	External	150	2	148
23 THC Operations & Management Audit	Assurance	Periodic	External	100		100
24 Wire Transfers Audit	Assurance	Periodic	Internal	200		200
OPERATIONS - Benefits, DRS, RHC, Member Services, QA						
25 Continous Audit Program	Assurance	Continuous	Internal	500	146	354
26 Recommendation Follow-Up	Assurance	Continuous	Internal	100	21	79
27 LA County Rehired Retirees	Assurance	Annual	Internal	300		300
28 DLU's Death Claim Processing Audit	Assurance	Periodic	Internal	250		250
29 Required Minimum Distribution (RMD) Audit	Assurance	Periodic	Internal	200	62	138
30 Account Settlement Collections Audit	Assurance	Periodic	Internal	250		250
31 Member Communications Audit	Assurance	Periodic	External	150		150
32 Governance, Risk, & Compliance _ RHC	Assurance	Periodic	Internal	250		250
INTERNAL AUDIT						
33 Risk Assessment & Audit Planning	Assurance	Continuous	Internal	500	8	492
34 Quality Assurance Improvement Plan	Assurance	Continuous	Internal	280		280
35 Professional Development	-	Continuous	Internal	300	7	293
36 Audit Committee Support	Advisory	Continuous	Internal	500	65	435
37 KPMG Recommendation Follow-Up	Assurance	Periodic	Internal	200		200
38 External Quality Assessment	Assurance	Periodic	External	250	8	242
ADDITIONAL PROJECTS						
39 Macintosh Data Backup (Reco F/U review)	Consulting		Internal	40		40
40 Participation in Info Sec Project	Consulting		Internal	75	9	66
41 Fiduciary Review	Consulting		Internal	120	36	84
42 Audit Pool Planning & Oversight	Assurance		Internal	125	38	87
43 Account Payable	Assurance		Internal	50	4	46
44 Teammate	-		Internal	300	72	228
TOTAL HOURS				9290	740	8550

ATTACHMENT B

The following table provides a description of each audit area included in the FYE 2022 Audit Plan.

	Audit Projects	Description of Project
EXECUTIVE / LEGAL / ORGANIZATION		
1	Organizational Governance Review	High-level assessment of LACERA's maturity in key organizational governance areas which will be reported to the Audit Committee.
2	Organizational Ethics & Values Review	High-level assessment of LACERA's maturity in key Ethics and governance areas. This engagement will be combined with the Organizational Governance Review.
3	Systems & Organization Change -1 (SOC 1) - Type 2	Plante Moran (PM) will perform a SOC audit over the controls related to OPEB data. Due to complexity of this engagement, IA is project manager.
4	Business Continuity / DRP	Audit of BC plans to ensure they are complete, reviewed and approved, and staff has been trained on them. Participation in DR testing.
5	Review of Prior Privacy Audit	Follow-up on prior Privacy Audit recommendations to assess if changes have adequately addressed areas of concern from the audit.
6	Organizational Check Management Policy Review	Audit of the organizational-wide check management and processes to identify areas to strengthen controls and establish formal organizational procedures.
7	Ethics Hotline Investigation	Monitor and administer the Ethics Hotline. Provide AC summary of incidents.
8	Audit of Board Vantage Security	Audit access rights and credentials to Board Vantage System.
ADMINISTRATION (<i>Admin, HR, Systems</i>)		
9	Continuous Auditing Program (CAP)	Automated testing of transactions and information systems. CAP provides continuous assurance in key areas of compliance and fraud detection.
10	Recommendation Follow Up	Ongoing follow-up on the status of recommendations and reporting to Audit Committee.
11	Procurement	This audit will focus on the workflow of the procurement process and organizational compliance with the policy.
12	Review of HR Recruiting and Hiring Practices	Comprehensive review of HR Recruiting processes and practices to assess areas for improvement for talent management and filling vacancies
13	Employee Salary Bonus Audit	Audit of employee bonuses since management recently revised its process based on recommendations from the LA County's audit.
14	Pen Test & Social Engineering Audit	Evaluation of the information security of the network from an external perspective to determine any risks posed from an uncredentialed attacker.
15	Review of IT Policies	Review of the updates to IT Policy Manual implemented in prior year.
16	Security Incident 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.
17	Privilege Access Audit	Review the creation, monitoring, and maintenance of privileged access credentials for compliance with best practice guidelines.
INVESTMENTS & FASD		
18	Oversight of THC RE Financial Audits	Internal Audit manages the relationship with the real estate external auditors who perform the real estate THC financial audits.
19	Oversight of Real Estate Manager Reviews	Internal Audit oversees external audit firms that conduct real estate manager contract compliance and operational reviews.
20	Oversight of Actuarial Services	Internal Audit manages the relationship with the Actuarial Consultant and Auditor for services relating to actuarial projects.
21	Oversight of Financial Audit	Internal Audit manages the relationship with LACERA's external financial auditors for the annual financial statement audit.
22	Investment Due Diligence	Consulting engagement to review the Investment Office due diligence operations.
23	THC Operations & Management Audit	Consulting engagement to review THC management and operations to identify areas to improve efficiency and effectiveness.
24	Wire Transfer Audit	Audit of operational updates and improvements to the wire transfer process; assess appropriateness of levels of review and approval.

	Audit Projects	Description of Project
OPERATIONS		
25	Continuous Auditing Program (CAP) - Operations	CAP is testing transactions and information systems, provides continuous assurance in key areas of compliance; includes fraud detection audits.
26	Recommendation Follow Up	Ongoing follow-up on the status of recommendations and reporting to Committee.
27	LA County Rehired Retirees	Audit of LA County's rehired retirees to ensure compliance with PEPRA.
28	DLU Death Claims Processing Audit	Review Benefits, Member Services, and Legal divisions' processes for tracking and processing member death and legal split cases.
29	Required Minimum Distribution Audit	Review of compliance with RMD requirements.
30	Account Settlement Collections Audit	Follow-up of management's progress in addressing areas of concern and deficiencies from the FY 2019 review and updates to procedures.
31	Member Communications Audit	Audit to assess the quality of communication and service provided to members from Member Services and Retirement Health Care Divisions.
32	Governance, Risk, and Controls RHC	Assessment of RHC to gain a deeper understanding of its governance, risks, and controls.
IA ADMINISTRATION PROJECTS		
33	Risk Assessment & Audit Planning	Updating Audit Universe, Risk Assessments, and develop Audit Plan.
34	Quality Assurance Improvement Program (QAIP)	The QAIP includes ongoing improvement of IA's performance through internal assessments, client surveys, and communication of results to key stakeholders.
35	Professional Development	Annual self-assessment, developing self-development program, and allocating for 30 hours of annual training per staff.
36	Audit Committee Support	Preparation of Audit Committee materials and attendance at meetings.
37	KPMG Reco Follow-up	Internal Audit continues to implement action plans to address recommendations from KPMG Audit and provides periodical updates to Audit Committee.
38	External Quality Assessment Review	Working with an external independent reviewer for the required Quality Assessment Review.
ADDITIONAL PROJECTS		
39	Macintosh Data Backup	Review of updates made to the backup systems as a result of the recommendations from prior audit.
40	Participation in Info Sec Project	IA participates in the InfoSec project meetings.
41	Fiduciary Review Planning	IA leads the cross-functional team assigned by the Exec office to develop the scope for future fiduciary review.
42	Audit Pool Planning & Oversight	Planning and coordination of audits conducted by external firms.
43	Accounts Payable Audit	Completion of audit from prior fiscal year.
44	TeamMate Optimization	Planning and implementation of TeamMate tools for improved efficiency and effectiveness of audit work and reporting.

**FOR INFORMATION ONLY**

July 30, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
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Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall 
Chief Audit Executive

Leisha E. Collins 
Principal Internal Auditor

FOR: August 26, 2021 Audit Committee Meeting

SUBJECT: **2021 Annual Audit Committee Calendar**

Internal Audit developed the Annual Audit Committee Calendar (Attachment A) to provide the Committee with a listing of activities that will occur at each Audit Committee Meeting. Most importantly, we included in the calendar the Audit Committee's annual and reoccurring responsibilities, as defined in the Audit Committee Charter (Attachment B), to ensure they are addressed.

Completed tasks are noted in the Calendar and there are two updates to the Calendar as follows:

- 1) The annual review of the Internal Audit Charter was moved from the June 2021 meeting to the August 2021 meeting due to delays in Board approval of the Audit Committee Charter which occurred in July 2021.
- 2) The reporting of Recommendation Follow Up will occur three times this year in February, June, and October.

RPB:lec

Attachments:

A: 2021 Annual Audit Committee Calendar
B: April 2021 Audit Committee Charter

2021 Annual Audit Committee Calendar									
Documentation	Ref to AC Charter	Frequency	Feb	April	June	Aug	Oct	Dec	
Audit Engagement Reports	VII.A.2.a.	Every	C	C	C	X	X	X	
Audit Plan Status Update	VII.A.1.d. & VII.A.2.c-d.	Every	C	C	C	X	X	X	
Summary of Hotline Investigations	VII.D.3 & VII.E.2.b.	Every	C	C	C	X	X	X	
Recommendation Follow-Up Reports	VII.A.2.b.	Tri-annually	C		C		X		
Proposed Audit Plan and Budget	VII.A.1.c.	Annually	C						
Annual Risk Assessment	VII.A.1.a.	Annually		C					
Annual Audit Plan	VII.A.1.b.	Annually			C				
Presentation / memo by Financial Auditor detailing proposed scope of work and timing.	VII.B.2	Annually			C				
*Internal Audit Charter	VII.A.3.a.	Annually				X			
Internal Audit Annual Performance Report	VII.A.3.b.-c.	Annually				X			
CAE Performance Evaluation	VII.A.4.b.-c.	Annually				X			
Ethics & Values Review	VII.D.1-3.	Annually					X		
Organizational Governance Review	VII.E.	Annually					X		
Compliance Memo from Legal Office	VII.E.4.c.	Annually					X		
Financial Statements, Correspondence, & Presentation	VII.C.1.-4.	Annually						X	
Audit Committee Annual Performance Report	VII.F.1.	Annually							X
Audit Committee Charter	VII.F.4	Every 3 rd year	C						
Approve the appointment and compensation of the External Financial Auditor	VII.B.1	Every 5 th year**		C					
Ensure IA has an external quality assessment performed every five years.	VII.A.3.d.	Every 5 th year		C					
Provide an open avenue of communication between IA, all Professional Service Providers, Management, and the Boards.	VII.F.2	Continuous							
Approve the appointment & compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations	VII.B.2	As needed							
Review with Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings & recommendations, Management's responses, and actions taken to implement the audit recommendations.	VII.B.3	As needed							
Advise the Boards about any recommendations for the continuous improvement of the internal audit activity.	VII.A.3.e.	As needed			C				
Make recommendations to both Boards regarding the appointment, discipline, and/or dismissal, of the CAE, which will be addressed by the Boards in a joint meeting.	VII.A.4.a.	As needed							
Perform other activities related to this Charter as requested by the Boards.	VII.F.3	As needed							

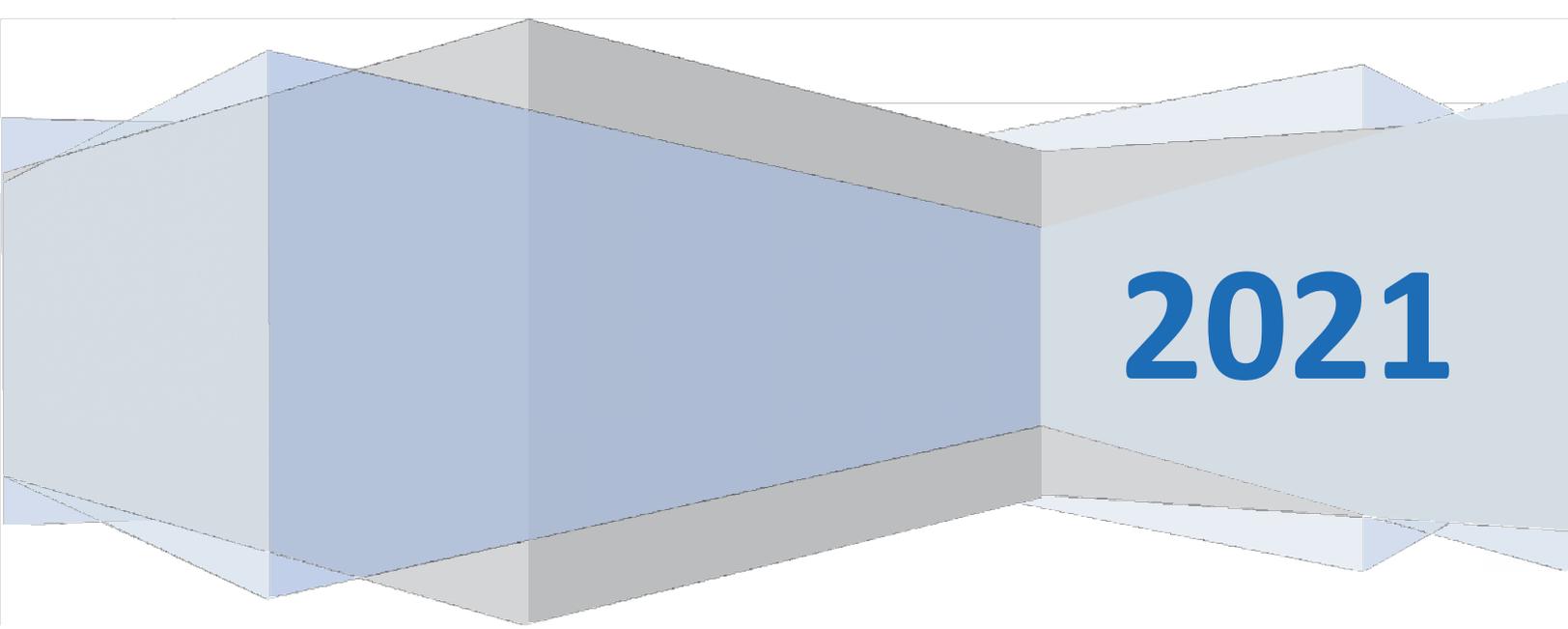
C = completed, X = pending

*Delayed due to pending approval of AC Charter

** Additional year extension approved in April 2021.

Audit Committee Charter

April 2021



2021



AUDIT COMMITTEE CHARTER

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AUDIT COMMITTEE CHARTER

I. CHARTER

This Charter establishes the authority and responsibilities of the Audit Committee, as assigned by Los Angeles County Employees Retirement Association's (LACERA) Board of Retirement and Board of Investments (Boards). The Audit Committee Charter is a living document and should be reviewed at least every three years.

II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

In November 2003, LACERA's Boards established the LACERA Audit Committee.

The purpose of the Audit Committee is to assist the Boards in fulfilling their fiduciary oversight duties for the:

- A. Internal Audit Activity
- B. Professional Service Provider Activity
- C. Financial Reporting Process
- D. Values and Ethics, and
- E. Organizational Governance
- F. Audit Committee and Internal Audit Budget

III. PRINCIPLES OF THE AUDIT COMMITTEE

The Audit Committee will conduct itself in accordance with LACERA's Code of Ethical Conduct and the following core principles from the Institute of Internal Auditors' (IIA) Code of Ethics. The Audit Committee expects the Boards, Management, and staff will also adhere to these requirements.

Integrity – The Audit Committee Members will perform their work with honesty, diligence, and responsibility. The Audit Committee expects and will encourage transparency when fulfilling its duties. Communications between Committee Members, Management, staff, and/or Professional Service Providers will be open, direct, and complete. Subject to applicable laws and organizational limitations, Internal Audit will regularly provide the Audit Committee with updates on audit and consulting projects completed and related findings and follow-up.

Independence & Objectivity - The Audit Committee will perform its responsibilities in an independent manner and in compliance with fiduciary duty without exception. Audit Committee Members will disclose any conflicts of interest (actual or perceived) to the Committee.

Confidentiality – The Audit Committee Members will be prudent in the use and protection of information acquired during the course of its duties.



Competency - Audit Committee Members will receive formal orientation training on the purpose and mandate of the Committee and LACERA's objectives. Audit Committee Members are obligated to prepare for and participate in Committee meetings.

Professional Standards - The Audit Committee will ensure all related work will be handled with the highest professional standards consistent with auditing standards of practice and industry guidelines.

IV. AUTHORITY

The Audit Committee will have unrestricted access to Management and staff, and any relevant information it considers necessary to discharge its duties. All employees are directed to cooperate with the Committee and its requests. If access to requested information is denied due to legal or confidentiality reasons, the Audit Committee and/or CAE will follow a prescribed, Board approved mechanism for resolution of the matter.

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of duties, including engaging independent counsel and/or other advisors it deems necessary.

V. AUDIT COMMITTEE COMPOSITION AND CONSULTANT

The Audit Committee will consist of seven members: three elected annually from each Board and the ex-officio member of both Boards, the Los Angeles County Treasurer. If any elected Audit Committee member leaves Board service or resigns from the Audit Committee prior to the completion of his or her term, the Board of the departing member, will elect a new Audit Committee member at the next regularly scheduled Board meeting.

The Committee shall have the authority to approve the hiring of the Audit Committee Consultant as an advisor through a Request for Proposal process. The Audit Committee Consultant will be designated as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Audit Committee Consultant's contract will be for three years.

At the first Committee meeting of each calendar year, the Committee shall elect a Chair, 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.



VI. AUDIT COMMITTEE MEETINGS

The Audit Committee will conduct regular meetings at least four times per year, with authority to convene additional meetings, as circumstances require. The time frame between Audit Committee meetings should not exceed four months.

All Committee Members are expected to attend each meeting.

All meetings of the Audit Committee shall be as noticed as joint meetings with the Board of Retirement and Board of Investments to allow for participation of all trustees in open and closed session Audit Committee discussions, provided that non-committee trustees may not make or second motions or vote and provided further that closed sessions to discuss the CAE's annual assessment and the Committee's recommendation to the Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE shall be noticed for attendance by Committee members only.

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 and also published on the LACERA website, lacera.com. The Committee will invite members of Management, Internal Auditors, Financial Auditors, all other Professional Service Providers, 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.

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 the seven-member Audit Committee, 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.

VII. RESPONSIBILITIES

A. Internal Audit Activity

1. Internal Audit Strategy and Annual Plan
 - a. Review and provide input on Internal Audit's annual risk assessment.
 - b. Review and approve Internal Audit's Annual Audit Plan (Plan) and resource plan, make recommendations concerning audit projects.
 - c. Review and monitor Internal Audit's activity relative to its Plan. Review and approve all major changes to the Plan.
2. Internal Audit Engagement & Follow-Up
 - a. Review and discuss engagement reports to take the following action(s):
 - i. accept and file report,
 - ii. instruct staff to forward report to Boards or Committees,
 - iii. make recommendations to the Boards or Committees regarding actions as may be required based on audit findings and/or,
 - iv. provide further instruction to staff.
 - b. Monitor Internal Audit's recommendations to ensure Management has adequately and timely addressed the risk(s) identified, either through implementing a new policy, procedure, or process, or accepting the associated risk.
 - c. Inquire whether any evidence of fraud has been identified during internal or external audit engagements, and evaluate what additional actions, if any, should be taken.
 - d. Inquire whether any audit or non-audit engagements have been completed but not reported to the Audit Committee; if so, inquire whether any matters of significance arose from such work.
 - e. Review and advise Management and the Boards on the results of any special investigations.



3. Standards Conformance
 - a. Approve the Internal Audit Charter.
 - b. Ensure the Internal Audit Division conforms with the IIA's International Standards for the Professional Practice of Internal Audit, particularly the independence of Internal Audit and its organizational structure.
 - c. Ensure the Internal Audit Division has a quality assurance and improvement program (QAIP), and that the results of these periodic assessments are presented to the Audit Committee.
 - d. Ensure the Internal Audit Division has an external quality assurance review every five years. Review the results of the external quality assurance review and monitor the implementation of related recommendations.

Advise the Boards about any recommendations for the continuous improvement of the internal audit activity.

4. Chief Audit Executive (CAE)

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:

- a. 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).
- b. 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).
- c. Administer the CAE's annual salary adjustment using the Boards' established compensation structure.

B. Professional Service Provider Activity

The Audit Committee is responsible for the oversight of all work performed by professional service providers (Service Providers) for audits, reviews, or investigations, including the audit of LACERA's financial statements.



1. Approve the appointment and compensation of the Financial Auditor, hired to perform an independent audit of LACERA's financial statements. Oversee the work of the Financial Auditor, including review of the Financial Auditor's proposed audit scope and approach, as well as coordination with Internal Audit and Management.
2. Approve the appointment and compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.
3. Review the Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.
4. Resolve any significant disagreements regarding risks, findings and/or compensation between management and Professional Service Providers

C. Financial Reporting Process

The Audit Committee is responsible for oversight of the independent audit of LACERA's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

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 Financial 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 Financial Auditors all matters required to be communicated to the Committee under *Generally Accepted Auditing Standards*.

D. Values and Ethics

1. Review and assess LACERA's Code of Ethical Conduct established by the Boards and Management.
2. Annually, review Management's process for communicating LACERA's Code of Ethical Conduct to Trustees, Management, and staff, and for monitoring compliance therewith.



3. Review reports received relating to conflicts of interest and ethics issues, and if appropriate, make a recommendation to the Boards.

E. Organizational Governance

To obtain reasonable assurance with respect to LACERA's governance process, the Audit Committee will review and provide advice on the governance process established and maintained, and the procedures in place to ensure they are operating as intended.

1. Risk Management

- a. Annually review LACERA's risk profile.
- b. Obtain from the CAE an annual report on Management's implementation and maintenance of an appropriate enterprise-wide risk management process. Provide advice on the risk management processes established and maintained, and the procedures in place to ensure that they are operating as intended.
- c. Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Management and the Boards.

2. Fraud

- a. Oversee Management's arrangements for the prevention and detection of fraud, including ensuring adequate time is spent discussing and raising awareness about fraud and the Hotline.
- b. Review a summary of Hotline reports, and if appropriate make a recommendation to the Boards.

3. System of Internal Controls

- a. Consider the effectiveness of LACERA's internal control system, including information technology security and control, as well as all other aspects of LACERA's operations.
- b. 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.
- c. Review and provide advice on control of LACERA as a whole and its individual divisions.

4. System of Compliance

- a. Annually, review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.



- b. As needed, review the observations and findings of any examinations by regulatory agencies.
- c. Obtain regular updates from Management and LACERA’s Legal Office regarding compliance matters.
- d. At least annually, review reported activity to ensure issues of fraud, noncompliance, and/or inappropriate activities are being addressed.

F. Audit Committee and Internal Audit Budget

LACERA will provide appropriate funding, as determined by the Audit Committee, for compensation to the Financial Auditor, to any Professional Service Provider that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

G. 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, all Professional Service Providers, including the Financial Auditor, 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 at least every three years, requesting the Boards’ approval for proposed changes.

VIII. APPROVAL

This Charter was reviewed by the Audit Committee on April 23, 2021, and approved by the Board of Retirement on July 7, 2021, and the Board of Investments on July 14, 2021. This Charter is thereby effective July 14, 2021 and is hereby signed by the following persons who have authority and responsibilities under this Charter.

*Joseph Kelly**July 19, 2021*

Joseph Kelly
Chair, Audit Committee

Date

*Keith Knox**July 19, 2021*

Keith Knox
Chair, Board of Investments

Date

*Alan Bernstein**July 19, 2021*

Alan Bernstein
Chair, Board of Retirement

Date



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

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



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