



March 22, 2022

TO: Each Trustee,
Board of Investments
Board of Retirement

SUBJECT: Audit Committee Meeting on March 23, 2022 – Agenda item V. B.

Following you will find supplemental information regarding the above-mentioned meeting:

(V.B. Internal Audit Proposed Fiscal Year 2022 – 2023 Salaries and Employee Benefits
Budget Request - FY 2022-2023 S&EB Proposed Budget)



Mission

To support LACERA's mission through independent, objective assurance and consulting services.

INTRODUCTION

The purpose of Internal Audit is to provide independent, 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 brings a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes to help LACERA accomplish its mission.

Internal Audit assists the organization in meeting its control objectives through evaluating:

- Risk exposure relating to achievement of LACERA's strategic objectives
- The reliability and integrity of information and the means used to identify, measure, classify, and report such information
- The systems established to ensure compliance with those policies, procedures, laws, and regulations, which could have a significant impact on LACERA
- The means of safeguarding assets and, as appropriate, verifying the existence of such assets
- The effectiveness and efficiency with which resources are employed
- Operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operation or programs are being carried out as planned
- Monitoring governance processes

NOTABLE ACHIEVEMENTS AND CONTRIBUTIONS

All staff within Internal Audit are certified public accountants, certified internal auditors, or certified information systems auditors. Some have more than one certification and other relevant certifications, such as certified fraud examiner and certified information security designations. During the current fiscal year, we established a pool of external audit firms and began using them to supplement the work we perform internally. Included in the performance of our annual audit plan, Internal Audit developed, oversaw, or contributed significantly, in a consulting capacity, to the following notable achievements and ongoing efforts within LACERA.

- Initiated SOC-1 over OPEB census data
- Oversaw ongoing actuarial audit activities
- Oversaw real estate advisor compliance and operational audits
- Oversaw Audit Committee Charter revisions and hiring of new Audit Committee consultant
- Established a fully functional remote audit team
- Enhanced and formalized the recommendation follow-up process
- Performed a quality assurance improvement program (QAIP) over Internal Audit operations
- Upgraded Internal Audit's automated audit management system

STAFFING

We have 11 budgeted positions in Internal Audit of which 10 are currently filled. One of those positions, a Senior Internal Auditor, has been on loan to the Systems Division. While we are not requesting an increase to the number of budgeted positions within Internal Audit, we do look forward to ensuring that we are able to fully staff the office in FY 2022–2023.

It is important that we get to our full budget capacity and operate Internal Audit effectively and efficiently. This is becoming all the more important as the organization is continuing to develop and mature, undergoing a formal strategic planning process and a number of other initiatives. One of these, for example, is the implementation of the case management system (CMS) that will affect most of LACERA's divisions, and which Internal Audit will be supporting through assurance, as well as consulting and advisory services.

We will be seeking, whenever possible, to hire staff with specialized expertise needed by Internal Audit, which currently is in the areas of information technology (IT) and investment-related auditing. Also, a study was previously requested for the Principal Internal Auditor positions.

We look forward to participating in LACERA's internship program and are planning to employ an intern to work on a special project during the fiscal year. The budget for our intern will be included in Human Resources' budget.

We are continuing to evaluate, improve, and ensure that we provide comprehensive training for personnel at all levels to develop themselves as auditors, obtain credentials, and provide for succession planning to the management (Principal) and Division Management level (Chief Audit Executive).

SERVICES AND SUPPLIES

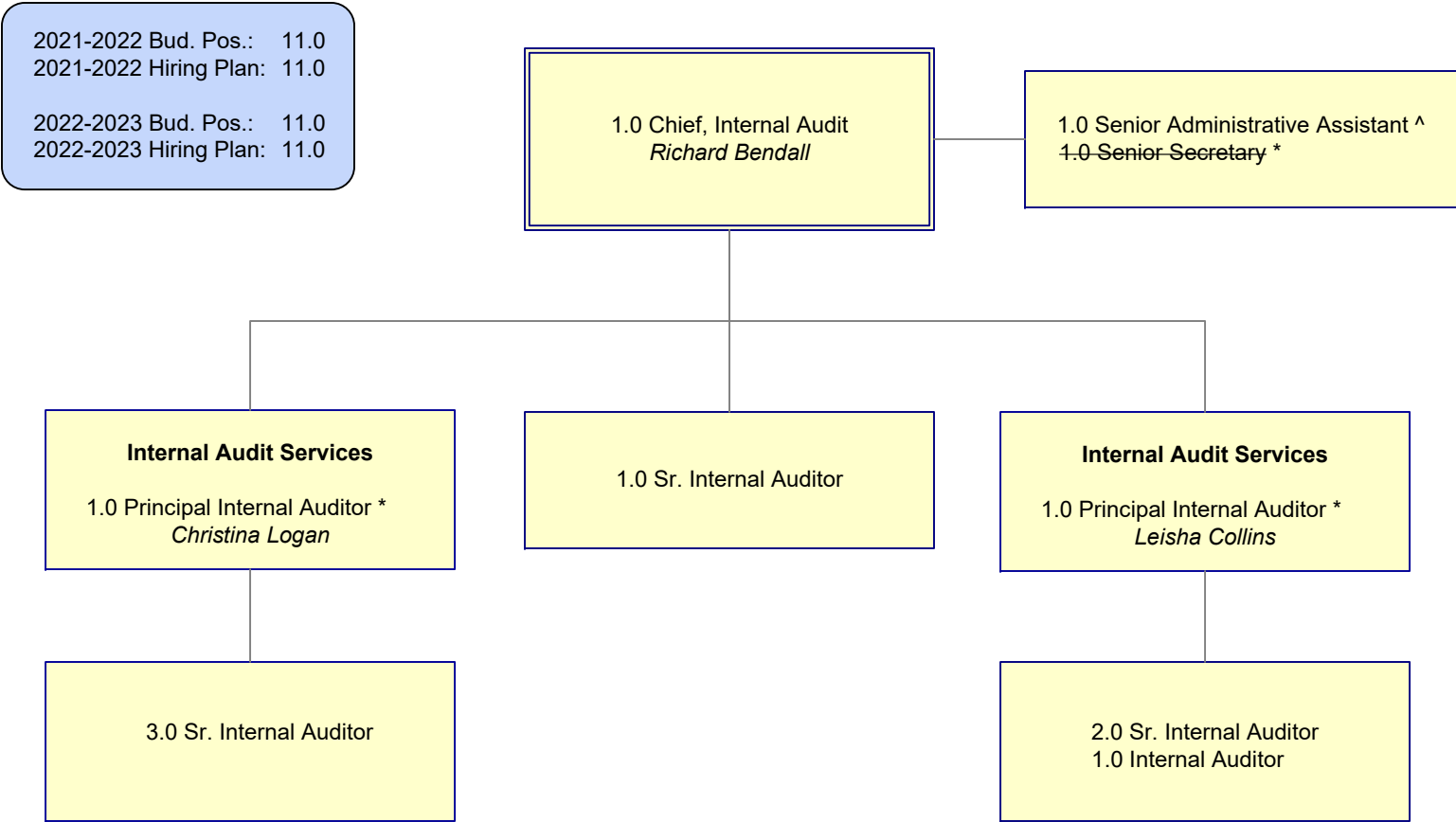
Each fiscal year, Internal Audit prepares a risk-based Audit Plan, approved by the Audit Committee. The Audit Plan defines the allocation of audit resources and communicates Internal Audit planned activities and resource requirements. This provides the basis for the Chief Audit Executive (CAE) and the Audit Committee to ensure that Internal Audit resources are appropriate, sufficient, and effectively deployed.

Internal Audit continues to leverage the use of external resources to better meet the needs of the organization and address the Audit Plan. The cost associated with these resources are a significant portion of the budget, \$650,000. Of this, approximately \$150,000 is for the external financial audit. \$500,000 is to be used at the discretion of the Audit Committee and/or staff to perform external IT audits, real estate advisor audits, and other external audits as needed to address the Audit Plan.

Our total S&S budget has remained relatively unchanged, increasing only by \$4,000, from \$720,500 for FY 2021–2022 to \$724,500 for FY 2022-2023.

INTERNAL AUDIT

FISCAL YEAR 2022-2023



2021-2022 Bud. Pos.: 11.0
2021-2022 Hiring Plan: 11.0

2022-2023 Bud. Pos.: 11.0
2022-2023 Hiring Plan: 11.0

* Classification study for the position requested.

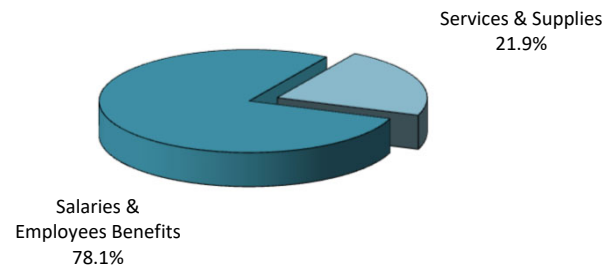
^ Position upgrade from Senior Secretary to Senior Administrative Assistant as a result of classification study (Pending Board of Supervisors' approval).

LACERA
FISCAL YEAR 2022-2023
BUDGET SUMMARY

INTERNAL AUDIT

	CURRENT YEAR 2021-2022			COMPARISON OF CURRENT YEAR BUDGET TO PROJECTION		COMPARISON OF PROPOSED BUDGET TO 2021-2022 BUDGET		
	PROPOSED BUDGET 2022-2023	YTD		OVER/(UNDER)		\$ CHANGE	% CHANGE	
		BUDGET	(01-31-22)	PROJECTION	BUDGET			% CHANGE
Salaries & Employees Benefits	\$2,582,622	\$2,433,813	\$1,190,294	\$2,322,300	(\$111,513)	-4.6%	\$148,809	6.1%
Services & Supplies	724,500	720,500	178,785	706,400	(\$14,100)	-2.0%	4,000	0.6%
OPERATING BUDGET	\$3,307,122	\$3,154,313	\$1,369,079	\$3,028,700	(\$125,613)	-4.0%	\$152,809	4.8%

2022 - 2023 PROPOSED BUDGET



*All amounts rounded to the nearest dollar.

LACERA

FISCAL YEAR 2022-2023

SALARIES AND EMPLOYEE BENEFITS SUMMARY

INTERNAL AUDIT

	PROPOSED BUDGET 2022-2023	CURRENT YEAR 2021-2022			COMPARISON OF CURRENT YEAR BUDGET TO PROJECTION		COMPARISON OF PROPOSED BUDGET TO 2021-2022 BUDGET	
		BUDGET	YTD		OVER/(UNDER)		\$ CHANGE	% CHANGE
			(01-31-22)	PROJECTION	BUDGET	% CHANGE		
Total LACERA Salaries	\$1,486,653	\$1,454,721	\$723,273	\$1,399,400	(\$55,321)	-3.8%	\$31,932	2.2%
Total Agency Temp Salaries	0	0	0	0	0	0.0%	0	0.0%
Employee Benefits (Variable)	945,642	843,072	397,664	782,100	(60,972)	-7.2%	102,570	12.2%
Employee Benefits (Other)	93,962	86,941	41,900	85,700	(1,241)	-1.4%	7,021	8.1%
OPEB Contribution	49,864	42,678	26,685	53,400	10,722	25.1%	7,186	16.8%
Stipends	0	0	0	0	0	0.0%	0	0.0%
Overtime	5,000	4,900	771	1,700	(3,200)	-65.3%	100	2.0%
Bilingual Bonus	0	0	0	0	0	0.0%	0	0.0%
Sick Leave Buyback	0	0	0	0	0	0.0%	0	0.0%
Rideshare Allowance	1,500	1,500	0	0	(1,500)	-100.0%	0	0.0%
Transportation Allowance	0	0	0	0	0	0.0%	0	0.0%
ADJUSTED GROSS S&EB	\$2,582,622	\$2,433,813	\$1,190,294	\$2,322,300	(\$111,513)	-4.6%	\$148,809	6.1%
Salary Differential	-	-	-	-	-	-	-	-
TOTAL S&EB	\$2,582,622	\$2,433,813	\$1,190,294	\$2,322,300	(\$111,513)	-4.6%	\$148,809	6.1%

*All amounts rounded to the nearest dollar.

Note: All YTD Salaries and Employee Benefits totals are as of 01/15/22, with the exception of Agency Temp Salaries, which are as of 01/31/22.

LACERA
FISCAL YEAR 2022-2023
SALARIES

INTERNAL AUDIT

2022-2023 BUDGET

FILLED POSITIONS		# POS.	SCHEDULE	ACTUAL MO. RATE	ANNUAL AMOUNT			
00774A	CHIEF, INTERNAL AUDIT	1	LS12	15,979	191,742			
00762A	PRINCIPAL INTERNAL AUDITOR	2	115B	23,625	283,499			
00763A	SENIOR INTERNAL AUDITOR	6	108K	61,116	733,392			
99999A	SENIOR ADMINISTRATIVE ASSISTANT	1	90F	5,728	68,737			
00439A	SENIOR SECRETARY	1	89G	5,588	67,060			
00439A	SENIOR SECRETARY	(1)	89G	(5,588)	(67,060)			
POSITIONS		10			1,277,370			
VACANT POSITIONS		# POS.	SCHEDULE	1ST STEP MO. RATE	ANNUAL AMOUNT	FILLED AT 12 MONTHS	FILLED AT 9 MONTHS	FILLED AT 6 MONTHS
00764A	INTERNAL AUDITOR	1	102G	6,757	81,082			40,541
						0	0	40,541
POSITIONS		1			40,541			
TOTAL POSITIONS		11						
GROSS SALARIES					1,317,910			
ANTICIPATED MOU SALARY INCREASE**					72,485			
ANTICIPATED STEP AND/OR MERIT SALARY INCREASE					23,035			
BONUS					73,223			
120-DAY RETIREE(S)					0			
TOTAL SALARIES					1,486,653			

MAPP Tier I and Tier II positions are shown at actual salaries as of 01/01/22.
 Represented/Non-Represented positions are shown at actual salaries as of 01/01/22.
 Represented positions shown in blue.
 Vacancies are shown at the 1st Step.
 *All amounts rounded to the nearest dollar.
 ** Gross salaries are multiplied by 5.5% to calculate anticipated MOU increase.

LACERA
FISCAL YEAR 2022-2023
SERVICES & SUPPLIES ACCOUNT SUMMARY

INTERNAL AUDIT

ACCOUNT CLASSIFICATION	PROPOSED BUDGET 2022-2023	CURRENT YEAR 2021-2022			COMPARISON OF CURRENT YEAR BUDGET TO PROJECTION		COMPARISON OF PROPOSED BUDGET TO 2021-2022 BUDGET	
		YTD			OVER/(UNDER)		\$ CHANGE	% CHANGE
		BUDGET	(01-31-22)	PROJECTION	BUDGET	% CHANGE		
TRANSPORTATION & TRAVEL	\$17,000	\$17,000	\$0	\$4,700	(\$12,300)	-72.4%	\$0	0.0%
OFFICE SUPPLIES & EQUIPMENT	1,500	1,500	295	1,000	(500)	-33.3%	0	0.0%
PROFESSIONAL & SPEC. SRVCS.	675,000	671,000	159,016	671,000	0	0.0%	4,000	0.6%
EDUCATIONAL EXPENSES	30,500	30,500	19,475	29,500	(1,000)	-3.3%	0	0.0%
MISCELLANEOUS	500	500	0	200	(300)	-60.0%	0	0.0%
TOTAL	\$724,500	\$720,500	\$178,785	\$706,400	(\$14,100)	-2.0%	\$4,000	0.6%

*All amounts rounded to the nearest dollar.