

# IN PERSON & VIRTUAL BOARD MEETING



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**Attention:** If you have any questions, you may email [PublicComment@lacera.com](mailto:PublicComment@lacera.com). If you would like to make a public comment during the committee meeting, review the Public Comment instructions.

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, CA 91101

9:00 A.M., THURSDAY, AUGUST 31, 2023

*This meeting will be conducted by the Audit Committee and Board of Retirement and Board of Investments both in person and by teleconference under California Government Code Section 54953 (f).*

*Any person may view the meeting in person at LACERA's offices or online at <https://LACERA.com/leadership/board-meetings>.*

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

### COMMITTEE TRUSTEES:

Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

### AUDIT COMMITTEE CONSULTANT

Robert H. Griffin

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953 (f)
  - A. Just Cause
  - B. Action on Emergency Circumstance Requests
  - C. Statement of Persons Present at Teleconference Locations

#### IV. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Meeting of June 1, 2023

#### V. PUBLIC COMMENT

(Members of the public may address the Committee orally and in writing. To provide Public Comment, you should visit <https://LACERA.com/leadership/board-meetings> and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Committee meeting.

If you select oral comment, we will contact you via email with information and instruction as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Committee. Oral comment requests will be accepted up to the close of the Public Comment item on the agenda.

If you select written comment, please input your written public comment or documentation on the above link as soon as possible and up to the close of the meeting. Written comment will be made part of the official record of the meeting. If you would like to remain anonymous at the meeting without stating your name, please leave the name field blank in the request form. If you have any questions, you may email [PublicComment@lacera.com](mailto:PublicComment@lacera.com).)

#### VI. NON-CONSENT ITEMS

##### A. **Consulting on Investment Office's Operational Due Diligence**

Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Christina Logan, Principal Internal Auditor: That the Committee review and discuss the results from the engagement and provide the following action(s).

1. Accept and file;
2. Instruct staff to forward memo to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the engagement and/or
4. Provide further instruction to staff.  
(Memo dated July 20, 2023)

VI. NON-CONSENT ITEMS (Continued)

**B. Consulting on the Organizational Records & Information Management (RIM) Policy**

Recommendation as submitted by Kristina Sun, Senior Internal Auditor: That the Committee review and discuss the engagement and take the following action(s):

1. Accept and file;
2. Instruct staff to forward memo to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the engagement; and/or
4. Provide further instruction to staff.  
(Memo dated August 16, 2023)

**C. State Street Bank Wire Transfers Audit**

Recommendation as submitted by Leisha E. Collins, Principal Internal Auditor: That the Committee review and discuss the engagement report and take 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 July 24, 2023)

**D. Audit of Corporate Credit Cards**

Recommendation as submitted by Gabriel Tafoya, Senior Internal Auditor: That the Committee review and discuss the engagement report and take 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 August 16, 2023)

VI. NON-CONSENT ITEMS (Continued)

E. **Los Angeles County's Compliance with Requirements for Rehired Retiree - Fiscal Year Ended June 30, 2022**

Recommendation as submitted George Lunde, Senior Internal Auditor: That the Committee review and discuss the engagement report and take 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 August 11, 2023)

F. **LACERA's Rehired Retiree Program - Fiscal Year Ended June 30, 2022**

Recommendation as submitted by Kimberly D. Hines, Senior Internal Auditor: That the Committee review and discuss the engagement report and take 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 August 14, 2023)

G. **Request for Proposal for Audit Committee Consultant**

Recommendation as submitted by Leisha E. Collins, Principal Internal Auditor and Kimberly D. Hines, Senior Internal Auditor: That the Committee authorize staff to release a Request for Proposal (RFP) to select a qualified Audit Committee Consultant for a three-year term, with an option to extend the contract for up to two additional one-year terms. (Memo dated August 15, 2023)

## VII. REPORTS

- A. **Internal Audit Annual Performance Report – Fiscal Year Ended 2023**  
Nathan K. Amick, Senior Internal Auditor  
(Presentation) (Memo dated August 15, 2023)
- B. **Fiscal Year Ending (FYE) 2024 Internal Audit Goals**  
Richard P. Bendall, Chief Audit Executive  
(Memo dated August 14, 2023)
- C. **Audit Committee Update – OneMeeting Implementation**  
Richard Bendall, Chief Audit Executive  
(For Information Only) (Memo dated July 21, 2023)
- D. **Organizational Governance Follow-Up**  
Christina Logan, Principal Internal Auditor  
(For Information Only) (Memo dated July 28, 2023)
- E. **Recommendation Follow-Up Report**  
Kristina Sun, Senior Internal Auditor  
(For Information Only) (Memo dated August 16, 2023)
- F. **Recommendation Follow-Up Sensitive Information Technology Areas**  
Gabriel Tafoya, Senior Internal Auditor  
(For Information Only) (Memo dated August 15, 2023)
- G. **Ethics Hotline Status Report**  
Richard P. Bendall, Chief Audit Executive  
(For Information Only) (Memo dated August 10, 2023)
- H. **Status of Other External Audits Not Conducted at the Discretion of Internal Audit**  
Richard P. Bendall, Chief Audit Executive  
(Verbal Update)
- I. **Internal Audit Staffing Activity Report**  
Richard P. Bendall, Chief Audit Executive  
(Verbal Update)

VIII. CONSULTANT COMMENTS

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

IX. ITEMS FOR STAFF REVIEW

(This item summarizes requests and suggestions by individual trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agenda item at a future meeting.)

X. ITEMS FOR FUTURE AGENDAS

(This item provides an opportunity for trustees to identify items to be included on a future agenda as permitted under the Board's Regulations.)

XI. GOOD OF THE ORDER

(For Information Purposes Only)

XII. 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.***

**Any documents subject to public disclosure that relate to an agenda item for an open session of the Committee, that are distributed to members of the Committee less than 72 hours prior to the meeting, will be available for public inspection at the time they are distributed to a majority of the Committee, at LACERA's offices at 300 North Lake Avenue, Suite 820, Pasadena, California during normal business hours from 9:00 a.m. to 5:00 p.m. Monday through Friday and will also be posted on [lacera.com](http://lacera.com) at the same time, [Board Meetings | LACERA](#).**

***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](mailto: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  
AND 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 1, 2023

This meeting was conducted by the Audit Committee, Board of Investments, and Board of Retirement both in person and by teleconference under California Government Code Section 54953 e(f).

COMMITTEE TRUSTEES

PRESENT:        Onyx Jones, Chair  
                    Keith Knox, Vice Chair  
                    Patrick L. Jones, Secretary  
                    Shawn R. Kehoe  
                    Antonio Sanchez (Joined the meeting at 9:13 a.m.)  
                    Gina V. Sanchez

ABSENT:        Jason E. Green

STAFF, ADVISORS AND PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Luis A. Lugo, Deputy Chief Executive Officer

Laura Guglielmo, Assistant Executive Officer

JJ Popowich, Assistant Executive Officer

STAFF, ADVISORS, PARTICIPANTS (Continued)

Steven P. Rice, Chief Counsel

Richard P. Bendall, Chief Audit Executive

Leisha E. Collins, Principal Internal Auditor

Christina Logan, Principal Internal Auditor

Nathan K. Amick, Senior Internal Auditor

George Lunde, Senior Internal Auditor

Kristina Sun, Senior Internal Auditor

Kimberly D. Hines, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

Frank Boyd, Senior Staff Counsel

Kathy Delino, Interim Chief Information Technology Officer

Plante & Moran, PLLC

Jean Young, Engagement Partner

Amanda Cronk, Audit Senior Manager

Robert H. Griffin, Audit Committee Consultant

I. CALL TO ORDER

This meeting was called to order by Chair Onyx Jones at 9:02 a.m. in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Ms. Jones led the Trustees and staff in reciting the Pledge of Allegiance.

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449

- a. Just Cause
- b. Action on Emergency Circumstance Requests
- c. Statement of Persons Present at Teleconference Locations

No requests were received for Just Cause (A) or Emergency Circumstances (B).

IV. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of March 2, 2023

Trustee G. Sanchez made a motion, Trustee Kehoe seconded, to approve the minutes of the regular meeting of March 2, 2023. The motion passed by the following roll call vote:

Yes: P. Jones, Kehoe, Knox, G. Sanchez, O. Jones

Absent: J. Green, A. Sanchez

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. NON-CONSENT ITEMS

(Non-Consent items were held following the discussion of Report Item VII. A.)

A. **Fiscal Year Ending June 30, 2024 Audit Plan**

Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: That the Committee approve the proposed Fiscal Year Ending June 30, 2024 Audit Plan. (Memo dated May 16, 2023)

Mr. Bendall, Mr. Kreimann and Ms. Logan were present to answer questions from the Committee.

VI. NON-CONSENT ITEMS (Continued)

Trustee P. Jones made a motion, Trustee Knox seconded, to approve staff's recommendation. The motion passed by the following roll call vote:

Yes: P. Jones, Knox, A. Sanchez, G. Sanchez, O. Jones

Absent: J. Green, S. Kehoe

**B. Review and Selection of the System and Organization Controls (SOC) Auditor – Other Post-Employment Benefits Program**

Recommendation as submitted by Christina Logan, Principal Internal Auditor and Kimberly D. Hines, Senior Internal Auditor: That the Committee approve the engagement of Moss Adams LLP to perform a System and Organization Controls (SOC) 1 Type 2 audit of LACERA's 2024 – 2028 with an option to extend the contract for up to two one-year terms. (Memo dated May 10, 2023)

(Trustee A. Sanchez joined the meeting at 9:13 a.m.)

Ms. Logan provided a brief presentation. Mr. Bendall was present to answer questions from the Committee.

Trustee G. Sanchez made a motion, Trustee P. Jones seconded, to approve staff's recommendation. The motion passed by the following roll call vote:

Yes: P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez, O. Jones

Absent: J. Green

**C. Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2022**

Recommendation as submitted by George Lunde, Senior Internal Auditor: That the Committee review and discuss the Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2022 and take the following action(s):

VI. NON-CONSENT ITEMS (Continued)

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 May 12, 2023)

Messrs. Lunde and Bendall provided a presentation to the Committee and were present to address questions. After discussion, the Committee instructed staff to bring the item back to the Committee at the next meeting to include additional information.

D. **Audit of Disability Retirement Services' Business Processes**

Recommendation as submitted by Kristina Sun, Senior Internal Auditor: That the Committee review and discuss the Audit of Disability Retirement Services' Business Processes and take 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 May 10, 2023)

Ms. Sun provided a brief presentation. Mr. Boyd was present to answer questions from the Committee.

Trustee P. Jones made a motion, Trustee A. Sanchez seconded, to approve staff's recommendation. The motion passed by the following roll call vote:

Yes: P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez, O. Jones

Absent: J. Green

VI. NON-CONSENT ITEMS (Continued)

E. **Third-Party Data Security Review**

Recommendation as submitted by George Lunde, Senior Internal Auditor: That the Committee review and discuss the Third-Party Data Security Review and take 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 May 16, 2023)

Mr. Lunde provided a brief presentation. Mr. Bendall and Ms. Delino were present to answer questions from the Committee.

Trustee Kehoe made a motion, Trustee G. Sanchez seconded, to accept and file the report and forward the report, as an agenda item, to the Operation Oversight Committee (OOC). The motion passed by the following roll call vote:

Yes: P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez, O. Jones

Absent: J. Green

VII. REPORTS

A. **FYE 2023 Audit Plan Status Report**

Nathan K. Amick, Senior Internal Auditor  
(Presentation) (Memo dated May 15, 2023)

(This Item was held after item V.) Mr. Amick provided a brief presentation. Mr. Bendall was present to answer questions from the Committee. This item was received and filed.

VII. REPORTS (Continued)

**B. Los Angeles County Employee Retirement Association Audit Committee Pre-Audit Communication**

Nathan K. Amick, Senior Internal Auditor  
(Presentation) (Memo dated May 12, 2023)

Ms. Young and Ms. Cronk of Plante Moran provided a brief presentation and addressed questions from the Committee. This item was received and filed.

**C. Recommendation Follow-Up**

Kristina Sun, Senior Internal Auditor  
(Memo dated May 16, 2023)

Ms. Sun provided a brief presentation. Messrs. Kreimann and Bendall were present to answer questions from the Committee. This item was received and filed.

**D. Recommendation Follow-Up Sensitive Information Technology Areas**

Gabriel Tafoya, Senior Internal Auditor  
(Memo dated May 11, 2023)

Mr. Tafoya was present to answer questions from the Committee. This item was received and filed.

**E. Status of Other External Audits not conducted at the Discretion of Internal Audit**

Richard P. Bendall, Chief Audit Executive  
(Verbal Presentation)

Mr. Bendall was present to answer questions from the Committee. This item was received and filed.

**F. Internal Audit Staffing Activity Report**

Richard P. Bendall, Chief Audit Executive  
(Verbal Presentation)

VII. REPORTS (Continued)

Mr. Bendall was present to answer questions from the Committee. This item was received and filed.

G. **Ethics Hotline Status Report**

Richard P. Bendall, Senior Internal Auditor

(For Information Purposes Only) (Memo dated May 19, 2023)

Messrs. Bendall, Rice, Kreimann and Griffin were present to answer questions from the Committee. This item was received and filed.

VIII. CONSULTANT COMMENTS

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

IX. ITEMS FOR STAFF REVIEW

Trustee G. Sanchez requested an educational piece on the Ethics Hotline, as well as the Ethics policies and procedures. Chair O. Jones requested Third-Party Data Security Review to be forwarded to the Operations Oversight Committee (OOC).

X. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

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

The Committee thanked staff for their work.

XII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:39 a.m.



July 20, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert H. Griffin

FROM: Christina Logan   
Principal Internal Auditor

FOR: August 31, 2023 Audit Committee Meeting

SUBJECT: **Consulting on Investment Office's Operational Due Diligence**

### **RECOMMENDATION**

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

1. Accept and file,
2. Instruct staff to forward memo to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the engagement, and/or
4. Provide further instruction to staff.

### **BACKGROUND**

The Audit Plan for Fiscal Year Ended (FYE) June 30, 2023, included a consulting engagement with LACERA's Investment Office of its Operational Due Diligence (ODD) process.

As described in the Investment Policy Statement,

*Risks confronted by LACERA include, but are not limited to:*

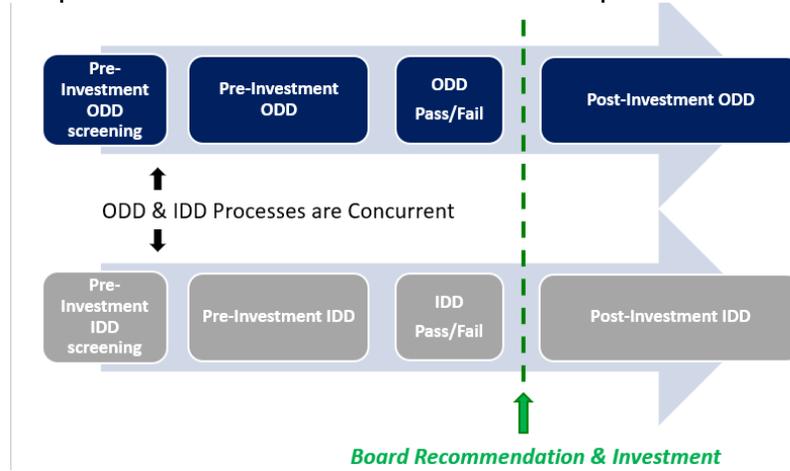
- a. *Investment Risks (macroeconomic, volatility, leverage, illiquidity, geography, currency, political, credit, environmental, social, and governance); and*
- b. *Operational Risks (valuation, counterparty, benchmarking, business continuity, talent management, cybersecurity, reputational, fraud, regulatory, and conflicts of interests*

Investments Due Diligence (IDD) addresses investment risk, which is the risk that actual investment returns will be lower than investors expect, and an analysis of risks often focuses on a manager's investment philosophy, process, methodology and strategy.

ODD addresses operational / non-investment related risks that a manager's operations could lead to investment losses, misappropriation of assets, and/or loss of client information. The analysis can focus on risk areas including, but not limited to, a manager's personnel, structure, valuation, and operating and compliance procedures.

Both IDD and ODD are important components in the decisions to invest and to continue to invest with a manager. As the graph 1 demonstrates, the Investment Office ODD and IDD processes run continuously and concurrently from the initial screening through the life of the investment.

Graph 1: Investment Office ODD and IDD process



The Investment Office's ODD process has both pre- and post-investment aspects.

- Pre-investment ODD is the process of evaluating whether the investment manager has the necessary operational capabilities, controls, and framework to execute on an investment mandate that LACERA is considering.
- Post-investment ODD is the process of evaluating whether the investment manager continues to have the necessary operational capabilities, controls, and framework to execute on the investment mandate that LACERA hired the manager to perform.

The Investment Office views ODD as a process to help mitigate operational risks which can lead to lower returns and headline issues. While ODD has always been an important factor in investment decisions, in recent years, the Investment Office has focused on enhancing its process as LACERA has been increasing its allocation to private market investments.

In November 2020, the Investment Office presented to the Board of Investments its "Deep Dive Assessment Observations and Recommendations" related to ODD. Their assessment included evaluating both staff and third-party consultants' ODD processes to identify best practices and determine if process or procedural gaps existed within the Investment Office process. As a result of their assessment, they implemented an ODD Risk Factors List using a collection of all ODD consultant / staff criteria, created a pre-screen questionnaire, and incorporated an ODD pass/fail step. Then in November 2022, they finalized Pre- and Post-Investment ODD procedures.

As this was an area of increasing focus, Internal Audit added this as a consulting engagement to its FYE June 30, 2022 Audit Plan. Due to the complex nature of the investments and ODD, we decided it would be beneficial to hire an external provider. Due to the time it took to go through the engagement planning and vendor selection process, the engagement was carried over to the FYE June 30, 2023 Audit Plan.

### **KPMG'S ASSESSMENT OF ODD**

The Audit Committee approved hiring KPMG at its October 2022 meeting to provide consulting services for an independent assessment and evaluation of the Investment Office's ODD process related to pre- and post-investment. KPMG was not engaged to perform assurance services and therefore, did not perform testing for purposes of providing any assurances of the operating effectiveness of LACERA's ODD processes and related internal controls.

#### ***Objective***

KPMG performed the following activities to assess the current state framework of LACERA's ODD processes and the appropriateness of relevant risk factors with primary focus on scope, frequency, and the quality of documentation:

- Reviewed the ODD framework;
- Evaluated the scope, frequency, and quality of supporting documentation of ODD performed;
- Assessed the level of oversight by the Investment Office over third-party ODD investment consultants;
- Assessed the quality of the ODD processes where Investment Office staff is directly responsible for the performance of ODD;
- Assessed the quality of ODD reporting to the Board of Investments (Board); and
- Reviewed and evaluated documented evidence of actual ODD performed on a limited sample of investment managers (the "Deep Dive Review").

#### ***Assessment criteria***

KPMG assessed the ODD framework and LACERA's fiduciary obligations against KPMG's understanding of ODD frameworks for organizations with similar investment practices as LACERA, including:

- Investment Offices of Public Plan and Private Plan Retirement Funds with substantially similar fiduciary obligations, asset allocation strategies, and investment objectives over the management and oversight of retirement plan trust assets;
- Investment Offices of large endowment funds;
- Investment Offices where a significant part of the investment strategy consists of hiring and overseeing third party managers; and
- Large institutional asset management firms that outsource extensively to third party managers.

### **Scope**

The scope of the review was limited to the ODD program and practices from July 2021 through December 2022. LACERA's asset classes are categorized as either "Public Market" or "Private Market" assets for which the Investment Office has implemented two distinct Operational Due Diligence programs:

- **Public Market assets** consists of equity, fixed income, commodities, public market real assets. For such assets, the Investment Office internally performs ODD process.
- **Private Market assets** consists of private equity, hedge funds, illiquid credit, real estate, and private real assets. For such assets, the Investment Office oversees and reviews the ODD performed by third-party consultants. For the review period, the two ODD consultants engaged by LACERA to perform the ODD were Albourne America LLC, and Stepstone Group LP/ Stepstone Group Real Estate LP.

KPMG selected a total of fifteen (15) investment managers, seven (7) managers for Pre-Investment ODD and eight (8) managers for Post-Investment ODD for the Deep Dive Review. The selection included both public and private asset class managers, which was further refined to include emerging managers.

The scope of asset classes covered for the Deep Dive Review included:

- Global Equity
- Private Equity
- Illiquid Credit
- Real Estate
- Real Assets

The fieldwork of this engagement commenced on December 23, 2022, through March 31, 2023.

### **Overall Assessment**

Overall, KPMG did not identify any material gaps in the ODD program in either the Public or Private Markets space. However, KPMG did identify enhancement opportunities to further strengthen the ODD program. The Investment Office, KPMG, and Internal Audit collaborated to determine next steps.

### **ENGAGEMENT RESULTS**

Internal Audit would like to extend its appreciation to the KPMG team and the Investment Office for collaborating on this consulting engagement.

Because of the collaboration, we were better able to understand the Investment Office's ODD process. Internal Audit and KPMG identified the following strengths in the process:

- Strong working relationships with the third-party ODD providers,
- Requiring public managers to both monthly and annually certify compliance with investment management agreements,

- Providing a quarterly Manager Scorecard to the Board of Investments to evidence post-investment investment and operational due diligence.

Although KPMG did not identify any material gaps, they provided opportunities to enhance the process. Below is a high-level summary of the key opportunities identified:

- Consider adding a senior-level resource dedicated to the ODD function, utilizing a centralized repository system to maintain due diligence documentation in one application, and utilizing external third-party services to expand on background and media checks for public market investments.
- Consider adding language in specific sections of the existing operational due diligence procedures to clarify the methodology for performing certain due diligence steps and standardizing documentation requirements across asset categories where applicable.
- Leverage the current periodic compliance certifications process in place for public markets to include private markets.

As this was a consulting engagement with no material gaps identified, KPMG provided a report with the specific enhancement opportunities which they discussed with Investments and Internal Audit. These generally align with the Investment Office current direction as reported to the Board of Investments in November 2020.

Noted and Reviewed:



Richard P. Bendall  
Chief Audit Executive

CL

Attachment



# Consulting of Investment Office's Operational Due Diligence

**Memo Date: July 20, 2023**

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Presenter by:

Richard P. Bendall, Chief Audit Executive  
Christina Logan, Principal Internal Auditor

# Summary of Engagement



Responsible Division:	<b>Investment Office</b>
Type of Engagement:	<b>Consulting</b>

## Type of Engagements

**Assurance:** 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.

**Consulting:** Collaborate with Management to provide a formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

**Advisory:** Provide Management with informal advice.

# KPMG's Consulting Engagement



## Background:

The Audit Committee selected KPMG at its October 2022 meeting. As KPMG was **not** engaged to perform assurance services, they did not perform testing for purposes of providing any assurances of the operating effectiveness of LACERA's ODD processes and related internal controls.

## Objective:

To provide consulting services to assess and evaluate the Investment Office's ODD process related to pre- and post-investment.

## Scope:

The scope of the review was limited to the ODD program and practices from July 2021 through December 2022.





**KPMG did not identify any material gaps / weaknesses, but they provided opportunities to enhance the process.**

The following strengths were identified:

- Strong working relationships with the third-party ODD providers,
- Requiring public managers to both monthly and annually certify compliance with investment management agreements,
- Providing a quarterly Manager Scorecard to the Board of Investments to evidence post-investment investment and operational due diligence.

# Summary of Opportunities to Enhance



KPMG provided the opportunities to enhance the process. Below is a high-level summary of the key opportunities identified:

- Consider adding a senior-level resource dedicated to the ODD function, utilizing a centralized repository system to maintain due diligence documentation in one application, and utilizing external third-party services to expand on background and media checks for public market investments.
- Consider adding language in specific sections of the existing operational due diligence procedures to clarify the methodology for performing certain due diligence steps and standardizing documentation requirements across asset categories where applicable.
- Leverage the current periodic compliance certifications process in place for public markets to include private markets.

# Thank You



We would like to thank the KPMG team and the Investment Office management and staff for their cooperation on this engagement.



**QUESTIONS?**



August 16, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert H. Griffin

FROM: Kristina Sun **KS**  
Senior Internal Auditor

FOR: August 31, 2023 Audit Committee Meeting

SUBJECT: **Consulting on the Organizational Records & Information Management (RIM) Policy**

### **RECOMMENDATION**

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

1. Accept and file,
2. Instruct staff to forward memo to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the engagement , and/or
4. Provide further instruction to staff.

### **BACKGROUND**

LACERA recognizes that information and records are assets, vital for both ongoing operations and also in providing valuable evidence of business decisions, activities, member information, and transactions. LACERA's current records retention policy, Records & Information Management (RIM) Policy and related procedures is administered by the Administrative Services Division and reviewed by the Legal Office and the Executive Office. These policies and procedures were last updated in 2018. Since the pandemic beginning in 2019, many operational processes at LACERA have shifted from using physical paper records to electronic records.

This consulting engagement was included in the Fiscal Year 2022-2023 audit plan as it addresses operational, security, compliance, and reputational risks. Internal Audit recognized this as a potential risk area as LACERA shifted from physical paper records to electronic records as a result of the pandemic. Additionally, this was an area of concern raised by an Audit

Committee member at the June 2021 meeting. During the Fiscal Year 2022-2023 Risk Assessment, the Legal Office identified records retention as a significant risk area for LACERA.

### **ENGAGEMENT OBJECTIVES & SCOPE**

The objective(s) of this consulting engagement was to assess LACERA's organizational Records & Information Management (RIM) Policy in the following areas:

- Evaluate the effectiveness of operations and controls for the Records & Information Management process.
- Evaluate the efficiency of the Records & Information Management process for identifying, maintaining, retrieving, preserving, and destroying records.
- Evaluate compliance with applicable policies, procedures, laws, and regulations.
- Evaluate that LACERA's records and information is adequately protected.

The scope of the engagement was limited to current organizational policies and practices related to the RIM process in Fiscal Year Ended 2023.

This consulting engagement was performed under the International Standards for the Professional Practices of Internal Auditing (IPPF) issued by the Institute of Internal Auditors (IIA).

### **ENGAGEMENT METHODOLOGY**

As part of fieldwork, Internal Audit (IA) performed the following activities:

- Interviewed key stakeholders and surveyed the management team, including Assistant Executive Officer, Chief Legal Counsel, Chief Information Technology, Administrative Services management and staff, Chief Disability Litigation Counsel, and Chief of Quality Assurance.
- Surveyed peer public pension funds regarding their records and information policies and practices.
- Researched regulatory requirements regarding records and information management. We found that while most laws are not prescriptive in setting a specific time period for records retention, we found that federal legal requirements exist for retaining human resources and financial records.
- Researched industry standards and evaluated the current RIM Policy against the Records Management Maturity Model and the Generally Accepted Recordkeeping Principles by the Association of Records Managers and Administrators (ARMA).

### **ENGAGEMENT RESULTS**

Internal Audit would like to extend its appreciation to the LACERA executive management team and division managers for collaborating on this consulting engagement. Because of the collaboration, we were better able to understand the organization's RIM Policy and process. Internal Audit identified the following strengths in the RIM process:

- The Administrative Services Division has a strong process for archiving and disposing physical records.

- Administrative Services staff actively seek feedback from division managers on a periodic basis to update the records retention schedule.

While LACERA’s RIM program has met the organization’s legal, regulatory, and business requirements, there are opportunities for improvements to further streamline the business process and control costs.

The Engagement Results Dashboard shows the engagement objectives, the associated control attributes, and the test results.

<b>Engagement Results Dashboard - Consulting Engagement of the Organizational Records &amp; Information Management (RIM) Policy</b>		
<b>Engagement Objective(s)</b>	<b>Associated Control Attributes</b>	<b>Test Results</b>
Effectiveness and efficiency of operations and controls	Evaluate the effectiveness of operations and controls for the Records & Information Management (RIM) process	Opportunities for Improvements identified
	Evaluate the efficiency of the RIM process for identifying, maintaining, retrieving, preserving, and destroying records	Opportunities for Improvements identified
Compliance with applicable policies, procedures, laws, and regulations	Evaluate whether the RIM Policy is compliant with applicable policies, procedures, laws, and regulations	No exceptions noted
Safeguarding of resources and information	Evaluate whether LACERA’s records and information is adequately protected	Opportunities for Improvements identified

As this was a consulting engagement with no material gaps identified, Internal Audit provided a report to the Executive Office with the specific enhancement opportunities which were discussed with LACERA management.

**SUMMARY OF OPPORTUNITIES FOR IMPROVEMENTS**

The table below lists the key opportunities for improvements identified by Internal Audit that are based on industry standards and best practices, peer fund survey results, and/or internal stakeholder feedback.

We recommend management consider the following:

Description of Key Opportunities	Opportunities For Improvements Identified Are Based On		
	Industry Standards & Best Practices	Peer Fund Survey Results	Internal Stakeholder Feedback
a. Creating a stakeholder group to conduct regular review and revision to the RIM Policy. The stakeholder group should include a senior executive or a person of comparable authority for accountability.	✓	✓	✓
b. Creating a more principles-based RIM Policy by classifying the records based on confidentiality, risks, legal requirements, and organizational needs.	✓	✓	✓
c. Allowing division(s) to create library to retain historical, vital records with reasonable business justification.	✓	✓	✓
d. Training and routinely educating staff on the new and existing RIM procedures, including clean desk procedures.		✓	✓
e. Differentiating the records management practices for physical and electronic records.		✓	✓
f. Using software programs to aid in the process of storing and retaining electronic records.		✓	✓

**MANAGEMENT COMMENTS**

Management agreed with the opportunities identified in the report for improving the organizational RIM Policy. Management will evaluate the RIM Policy as part of their efforts to implement the Strategic Plan, specifically aligning it with the strategic priority for compliance and enterprise risk management.

Attachment

Noted and Reviewed:



Richard P. Bendall  
 Chief Audit Executive

# Consulting on the Organizational Records & Information Management (RIM) Policy

**Memo Date:** August 16, 2023

---

Presenter by:  
Kristina Sun, Senior Internal Auditor

# Summary of Engagement



Responsible Division:	<b>Executive Office</b>
Type of Engagement:	<b>Consulting</b>

## Type of Engagements

**Assurance:** 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.

**Consulting:** Collaborate with Management to provide a formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

**Advisory:** Provide Management with informal advice.

# Background, Objective, Scope



## Background:

Both Internal Audit and the Legal Office identified records retention as a significant risk area for LACERA since operations have changed since the pandemic began. Additionally, this was an area of concern raised by an Audit Committee member at the June 2021 meeting.

## Objectives:

- Effectiveness and efficiency of operations and controls
- Compliance with applicable policies, procedures, laws, and regulations
- Safeguarding of resources and information

## Scope:

Limited to current organizational RIM policies and practices in Fiscal Year Ended 2023.



# Engagement Results



Engagement Results Dashboard - Consulting Engagement of the Organizational Records & Information Management (RIM) Policy		
Engagement Objective(s)	Associated Control Attributes	Results
Effectiveness and efficiency of operations and controls	Evaluate the effectiveness of operations and controls for the Records & Information Management (RIM) process	Opportunities for Improvements identified
	Evaluate the efficiency of the RIM process for identifying, maintaining, retrieving, preserving, and destroying records	Opportunities for Improvements identified
Compliance with applicable policies, procedures, laws, and regulations	Evaluate whether the RIM Policy is compliant with applicable policies, procedures, laws, and regulations	No exceptions noted
Safeguarding of resources and information	Evaluate whether LACERA's records and information is adequately protected	Opportunities for Improvements identified

# Summary of Opportunities for Improvements



Description of Key Opportunities	Opportunities for Improvements Identified Are Based on		
	Industry Standards & Best Practices	Peer Fund Survey Results	Internal Stakeholder Feedback
a. Creating a stakeholder group to conduct regular review and revision to the RIM Policy. The stakeholder group should include a senior executive or a person of comparable authority for accountability.	√	√	√
b. Creating a more principles-based RIM Policy by classifying the records based on confidentiality, risks, legal requirements, and organizational needs.	√	√	√
c. Allowing division(s) to create library to retain historical, vital records with reasonable business justification.	√	√	√
d. Training and routinely educating staff on the new and existing RIM procedures, including clean desk procedures.		√	√
e. Differentiating the records management practices for physical and electronic records.		√	√
f. Using software programs to aid in the process of storing and retaining electronic records.		√	√

# Thank You



Internal Audit would like to extend its appreciation to the LACERA executive management team and division managers for collaborating on this consulting engagement and invite them to provide any comments.





July 24, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert H. Griffin

FROM: Leisha E. Collins   
Principal Internal Auditor

FOR: August 31, 2023 Audit Committee Meeting

SUBJECT: **State Street Bank Wire Transfers Audit**

### **RECOMMENDATION**

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

1. Accept and file report,
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.

### **ENGAGEMENT REPORT**

State Street Bank Wire Transfers Audit  
(Report Issued: June 30, 2023)

Attachments

Noted and Reviewed:



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Richard P. Bendall  
Chief Audit Executive

LC



**LACERA INTERNAL AUDIT DIVISION**  
**State Street Bank Wire Transfer Audit**

**June 30, 2023**

**AUDIT PERFORMED BY:**

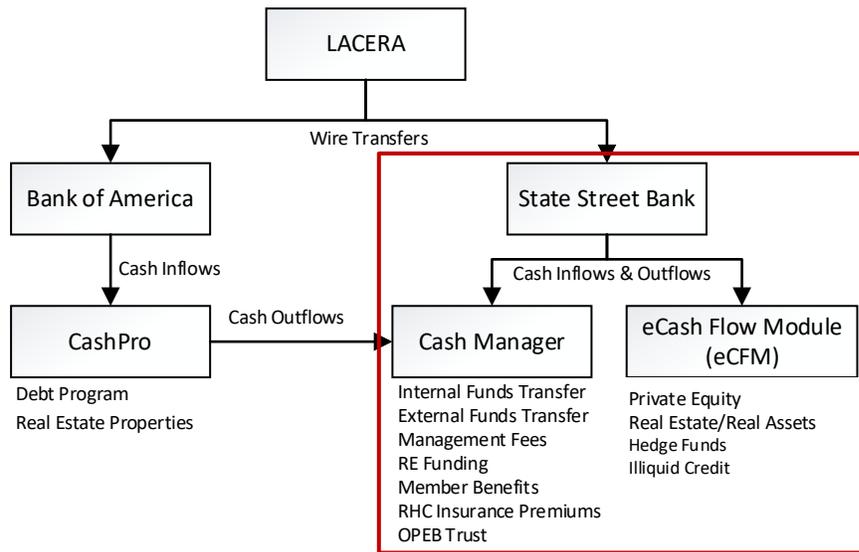
**Kathryn Ton**  
**Senior Internal Auditor**

## AUDIT REPORT

<b>Audit Name:</b>	State Street Bank Wire Transfer Audit
<b>Responsible Division:</b>	Financial and Accounting Services Division (FASD)
<b>Audit Rating*:</b>	Satisfactory
<b>Prior Audit Rating*:</b>	N/A
<b>Prior Report Date:</b>	2018

### BACKGROUND

We reviewed LACERA's wire transfer process as part of the Fiscal Year 2022-23 Audit Plan due to associated financial risk, size, and nature of this process. We last performed an audit of LACERA's wire transfer process in 2018, and a limited review in 2020 when process modifications were made due to the global pandemic. Before that, we performed an audit of LACERA's real estate separate accounts in the Bank of America CashPro treasury management system. The scope of this audit focused on wires processed through the State Street Bank Cash Manager (Cash Manager) and Electronic Cash Flow Module (eCFM) systems. The diagram below shows the wire flows between the State Street Bank and Bank of America systems.



### State Street Bank

The State Street Bank treasury management system includes Cash Manager, which is used for wires relating to LACERA's public markets, and eCFM which is used for capital calls and distributions for LACERA's private markets.

- Common wires from Cash Manager include internal and external funds transfers, payment of management fees, funding of real estate and title holding company investments, funding of emergency member benefit payments, and payment of healthcare insurance premiums and other post-employment benefit (OPEB Trust) transactions. Approximately 477 outgoing wires totaling \$1.5 billion were made in Cash Manager in calendar year 2022.

\* See Appendix 1 for Audit Rating

- Outgoing wires from eCFM relate to general partner capital call notices for private equity, real estate, real assets, hedge funds, and illiquid credit investments. Similarly, approximately 1,120 outgoing wires totaling \$4.6 billion were made in the eCFM system in 2022.

### **Financial Accounting Services Division**

The Financial Accounting Services Division (FASD) is run by the Chief Financial Officer (CFO) who oversees 30 budgeted positions. FASD has 14 accounting professionals who are responsible for the monitoring, initiation, processing, and safekeeping of wire transactions. For Cash Manager, wire verification and authorization come from the Division Managers in Benefits, the Investment Office, and Retiree Health Care. For eCFM, there are four levels of approval: State Street Bank is the first level and initiates the wire transfer, the Investment Office is the second level of review/approval, and FASD is the third and fourth levels of review/approvals to release the funds.

FASD staff who have access to Cash Manager must have a security token to log into the system. Only FASD Management (i.e., the FASD CFO, Accounting Officers, and Accounting Supervisors) can submit requests to add or remove users. There are currently 17 Cash Manager user profiles on record, all within FASD. For eCFM, there are 29 user profiles on record, 13 from the Investment Office and 16 from FASD.

### **AUDIT OBJECTIVE & SCOPE**

Based on Internal Audit's risk assessment, this engagement was focused on evaluating the adequacy of controls around LACERA's State Street Bank wire transfer process for:

- Setup and termination of user profiles and entitlements
- Safekeeping and disposal of security tokens
- Maintenance of wire templates
- Review and accounting of supporting documentation for effecting wires

The scope covered calendar year 2022. This audit was performed in accordance with the Institute of Internal Auditors' International Standards (IIA) for the Professional Practice of Internal Auditing.

### **AUDIT OBJECTIVE & SCOPE**

In our opinion, the effectiveness of controls applicable to the audit scope are **Satisfactory**. FASD has adequate controls over the Cash Manager and eCFM wire transfer process as it relates to user entitlements, security tokens, wire templates, and effecting wires. We did note two areas where controls could be strengthened. Specifically for Cash Manager, there should be a review and update of the authorized divisional representative lists and update of FASD desk procedures to include current procedures for processing wires.

<b>Audit Results Dashboard – State Street Bank Wire Transfer Process</b>		
<b>Audit Objective(s)</b>	<b>Associated Control Attributes</b>	<b>Test Results</b>
User entitlements	Appropriate review and update of User access	No exceptions noted
Security tokens	Adequate Safekeeping and disposal of tokens	No exceptions noted
Wire templates	Timely deletion of inactive templates from Cash Manager	No exceptions noted
Effecting wires	Independent review of wire documentation prior to transfer	No exceptions noted
	Divisional approval list is adequately maintained for Cash Manager	Finding #1
	Wires are reviewed and approved by appropriate personnel	No exceptions noted
	Existence of adequate segregation of duties	No exceptions noted
	Cash Manager desk procedures align with actual practices	Finding #2
	eCFM desk procedures align with actual practices	No exceptions noted
	Desk procedures are followed	No exceptions noted
	Internal records are reconciled with Cash Manager and eCFM	No exceptions noted

**Summary of Findings**

<b>Finding#</b>	<b>Page</b>	<b>Finding Title</b>	<b>Risk Rating**</b>
F1	5	Cash Manager authorized divisional representative lists are outdated.	Low
F2	6	Cash Manager desk procedures are outdated.	Low

The above findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We would like to thank the Financial Accounting Services Division for their cooperation with this audit.

**REVIEWED AND APPROVED**



Richard P. Bendall  
 Chief Audit Executive

**Date:** June 30, 2023

**REPORT DISTRIBUTION**

2023 Audit Committee	Santos H. Kreimann, CEO	Ted Granger, Interim Chief Financial Officer
2023 Plante Moran Audit Team	Luis Lugo, DCEO	Internal Audit Group
Robert H. Griffin, Audit Committee Consultant	Laura Guglielmo, AEO	
Steven Rice, Chief Legal Counsel	J.J. Popowich, AEO	

\*\*See Appendix 2 for Findings' Risk Rating

## **FINDING #1**

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**Cash Manager authorized divisional representative lists are outdated.**

**Risk Level\*\***  
Low

## **OBSERVATION**

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As part of our audit work, we reviewed the Cash Manager current list of divisional representatives authorized to request wires (authorizers) from Benefits, Retiree HealthCare, and the Investment Office. We noted that LACERA's authorized divisional representative list to approve wire transfers for emergency benefit payments was last updated in December 2020. Similarly, the Investment Office and Retiree HealthCare's authorized divisional representative lists were last updated in August 2021 and 2018, respectively. Internal Audit identified one individual on the Benefits approval list who is no longer working at LACERA. This individual left LACERA in October 2022. We verified that this individual did not make wire requests and did not have access rights to Cash Manager. However, as a best practice, FASD should establish procedures to review its authorization lists at least biennially and update for any staff and approval level changes.

## **RISK**

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Wire instructions received from unauthorized sources may result in financial loss.

## **RECOMMENDATION #1**

---

**FASD management should review and update the authorized divisional representative lists at least biennially.**

## **MANAGEMENT'S RESPONSE**

---

Agrees with Finding and Recommendation

Management concurs with the recommendation. FASD has already started working with the division managers to update the authorized divisional representative (ADR) lists for Benefits and Retiree Healthcare. Management will review and ask the Divisions to update the ADR at least biennially or more frequently if there are personnel changes within the Divisions. The Investment Office ADR is part of a legal contract and will be updated in real-time when staff leave the organization. This recommendation is expected to be completed by September 30, 2023.

## **TARGET COMPLETION DATE**

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September 30, 2023

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\*\* See Appendix 2 for Findings' Risk Rating

**FINDING #2**

---

**Cash Manager desk procedures are outdated.**

**Risk Level\*\***  
Low

**OBSERVATION**

---

FASD last updated its Cash Manager desk procedures in November 2019. The desk procedures are still relevant but should be a living document that grows with the organization. As part of our review of the desk procedures, we noted that one section that needs updating is the appropriate return or disposal of physical security tokens. In 2020, State Street Bank developed new software, a multifactor authentication (soft token) that can be used to access Cash Manager in lieu of a hard token. Returned hard tokens were properly accounted for and disposed of, but FASD's desk procedures did not reflect the current process. We verified that security tokens returned to FASD were stored in a locked cabinet and destroyed by Iron Mountain via special order in August 2022. Security tokens collected after August 2022 were returned to State Street Bank. FASD should also remove references to desktop computers and hardcopy source documents.

**RISK**

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Outdated policies may not address new technology which can result in inconsistent practices.

**RECOMMENDATION #2**

---

**FASD should review and update the Cash Manager desk procedures.**

**MANAGEMENT'S RESPONSE**

---

Agrees with Finding and Recommendation

Management concurs with the recommendation. FASD has already started reviewing and updating the State Street Bank Cash Manager procedures and will edit them to address the physical security token disposal process and remove references to desktop computers and hardcopy source documents. This recommendation is expected to be completed by June 30, 2023.

**TARGET COMPLETION DATE**

---

June 30, 2023

---

\*\* See Appendix 2 for Findings' Risk Rating

## **APPENDIX 1 AUDIT RATING SCALE**

Internal Audit issues three standard audit report evaluations as defined below:

### **Satisfactory**

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

### **Opportunities for Improvement**

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

### **Unsatisfactory**

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

**APPENDIX 2**

**FINDING’S RISK RATING SCALE**

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

<b>Rating</b>	<b>Financial</b>	<b>Internal Controls</b>	<b>Compliance</b>	<b>Reputational</b>	<b>Executive Management</b>
<b>High</b>	<p>Large financial impact to LACERA or members</p> <p>Actions not aligned with fiduciary responsibilities</p>	<p>Missing or inadequate key internal controls</p> <p>Not adequate to identify fraud, noncompliance or misappropriation</p>	<p>Non-compliance with applicable Federal or state laws or LACERA’s policies</p>	<p>High probability for external audit issues and/or negative public perception</p>	<p>Important critical business process identified by Exec Office</p> <p>Requires immediate attention</p>
<b>Medium</b>	<p>Moderate financial risk to LACERA or members</p> <p>Actions could be better aligned with fiduciary responsibilities</p>	<p>Partial key internal controls</p> <p>Not adequate to identify noncompliance or misappropriation in timely manner</p>	<p>Inconsistent compliance with applicable Federal or state laws or LACERA’s policies</p>	<p>Potential for external audit issues and/or negative public perception</p>	<p>Relatively important</p> <p>May or may not require immediate attention</p>
<b>Low</b>	<p>Low financial impact to LACERA or members</p>	<p>Internal controls in place but not consistently efficient/effective</p> <p>Implementing / enhancing controls could prevent future problems</p>	<p>General compliance with applicable Federal or state laws or LACERA’s policies, but some minor discrepancies exist</p>	<p>Low probability for external audit issues and/or negative public perception</p>	<p>Lower significance</p> <p>Does not require immediate attention</p>



# State Street Bank Wire Transfers Audit

**Audit Report Date:** June 30, 2023

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Presented by:  
Leisha Collins, Principal Internal Auditor

# Summary of Engagement



Responsible Division:	Financial Accounting Services Division
Type of Engagement:	Assurance
Audit Rating:	Satisfactory
Prior Audit Rating:	N/A

## Type of Engagements

**Assurance:** 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.

**Consulting:** Collaborate with Management to provide formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

**Advisory:** Provide Management with informal advice.

# Background



## Background

We reviewed LACERA's wire transfer process as part of the Fiscal Year 2022-23 Audit Plan due to associated financial risk, size, and nature of this process. The scope of this audit focused on wires processed through the State Street Bank Cash Manager (Cash Manager) and Electronic Cash Flow Module (eCFM) systems.

## Objectives

This engagement was focused on evaluating the adequacy of controls around LACERA's State Street Bank wire transfer process for:

- Setup and termination of user profiles and entitlements
- Safekeeping and disposal of security tokens
- Maintenance of wire templates
- Review and accounting of supporting documentation for effecting wires



## Scope

The scope covered calendar year 2022. This audit was performed in accordance with the Institute of Internal Auditors' International Standards (IIA) for the Professional Practice of Internal Auditing.

# Audit Results



Audit Results Dashboard – State Street Bank Wire Transfer Process		
Audit Objective(s)	Associated Control Attributes	Test Results
User entitlements	Appropriate review and update of User access	No exceptions noted
Security tokens	Adequate Safekeeping and disposal of tokens	No exceptions noted
Wire templates	Timely deletion of inactive templates from Cash Manager	No exceptions noted
Effecting wires	Independent review of wire documentation prior to transfer	No exceptions noted
	Divisional approval list is adequately maintained for Cash Manager	Finding #1
	Wires are reviewed and approved by appropriate personnel	No exceptions noted
	Existence of adequate segregation of duties	No exceptions noted
	Cash Manager desk procedures align with actual practices	Finding #2
	eCFM desk procedures align with actual practices	No exceptions noted
	Desk procedures are followed	No exceptions noted
	Internal records are reconciled with Cash Manager and eCFM	No exceptions noted

# Summary of Findings



Ref #	Title of Finding	Rating	Management Response
1	Cash Manager authorized divisional representative lists are outdated.	Low	Management concurs with the recommendation. FASD has already started working with the division managers to update the authorized divisional representative (ADR) lists for Benefits and Retiree Healthcare. Management will review and ask the Divisions to update the ADR at least biennially or more frequently if there are personnel changes within the Divisions. The Investment Office ADR is part of a legal contract and will be updated in real-time when staff leave the organization. This recommendation is expected to be completed by September 30, 2023.
2	Cash Manager desk procedures are outdated.	Low	Management concurs with the recommendation. FASD has already started reviewing and updating the State Street Bank Cash Manager procedures and will edit them to address the physical security token disposal process and remove references to desktop computers and hardcopy source documents. This recommendation is expected to be completed by June 30, 2023.

# Thank you



We would like to thank the FASD for their cooperation on this engagement and invite them to provide any comments.





August 16, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert H. Griffin

FROM: Gabriel Tafoya   
Senior Internal Auditor

FOR: August 31, 2023 Audit Committee Meeting

SUBJECT: **Audit of Corporate Credit Cards**

### **RECOMMENDATION**

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report and take 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.

### **ENGAGEMENT REPORT**

Audit of Corporate Credit Cards  
(Report Issued: August 16, 2023)

Attachments

Noted and Reviewed:



---

Richard P. Bendall  
Chief Audit Executive

GT



**LACERA INTERNAL AUDIT DIVISION**

**Audit of Corporate Credit Cards  
Project No. 2023 24B**

**August 16, 2023**

**AUDIT PERFORMED BY:**

**Gabriel Tafoya, CISA**  
Senior Internal Auditor

## **AUDIT REPORT**

<b>Audit Name:</b>	Audit of Corporate Credit Cards
<b>Responsible Division:</b>	Financial & Accounting Services Division (FASD)
<b>Audit Rating*:</b>	Opportunities for Improvement
<b>Prior Audit Rating*:</b>	Opportunities for Improvement
<b>Prior Report Date:</b>	October 5, 2020

### **BACKGROUND**

We reviewed LACERA's Corporate Credit Card Program (Program) as part of the Fiscal Year 2022-2023 Audit Plan. The Program complements LACERA's overall purchasing strategy to procure goods and services, which includes other payment methods such as direct payments, purchase orders, and contracts. We last performed a compliance audit of the Program in Fiscal Year 2019-2020. We performed this audit to ensure continuing compliance with the Corporate Credit Card Policy.

LACERA's credit card expenditures totaled approximately \$986,244 across 15 divisions for the thirteen-month period from March 1, 2022 through March 31, 2023. There was a total of thirty-one (31) cardholders and 1,701 transactions for the period.

Corporate credit cards are issued to division managers and certain administrative positions who have purchasing authority within their divisions. Cardholders must save and submit receipts for all credit card transactions. Personal use of the card is strictly prohibited. Credit card charges must be signed off by cardholders or their designated proxies and an approving manager each month on the Bank of America Online Payment System (BoFA) System. In addition, cardholders are required to submit detailed expense reports to the FASD Disbursements Unit within five business days after month-end close. The FASD Disbursements Unit reconciles the credit card statements to the cardholders' expense reports and enforces the Policy when potential issues arise.

### **AUDIT OBJECTIVES AND SCOPE**

The audit objectives were to assess program compliance with LACERA's Corporate Credit Card Policy. The compliance areas included verification that:

- Cardholders were appropriately authorized.
- Transactions incurred were allowable in accordance with LACERA's Credit Card Policy.
- Sufficient documentary evidence was obtained to support expenses.
- Expense reports were submitted by the FASD-imposed deadlines.

Engagement scope includes review of corporate credit card transactions occurring between March 1, 2022 – March 31, 2023. The audit was performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

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\* See Appendix 1 for Audit Rating

**AUDIT RATING & SUMMARY OF FINDINGS**

Although we found that improvements are needed in some areas, the Credit Card Program internal controls were generally efficient and effective. We have rated this audit in the category of Opportunities for Improvement. The Audit Results Dashboard shows each process reviewed, the associated control attributes tested, and the test results leading to the audit findings.

<b>Audit Results Dashboard – Audit of Corporate Credit Cards</b>		
<b>Processes Reviewed</b>	<b>Associated Control Attributes Tested</b>	<b>Test Results</b>
Credit Card Program Governance	Documented and current policies and procedures	Finding #1
	Periodic cardholder training	Finding #1
Card Issuance	Established criteria for eligible cardholders	No Exceptions
	Executive approval prior to issuance of card	No Exceptions
	Appropriate levels of segregation of duties for card distribution	No Exceptions
	Signed and maintained Credit Card Agreements	Finding #2
Allowable Purchases	Defined and documented criteria for allowable purchases	No Exceptions
	Required receipts for all card transactions	No Exceptions
	Management review and approval of monthly spending	No Exceptions
	Timely submission of supporting documentation for incurred charges	Finding #2
	Accurate cardholder’s data input of card transactions in BofA System	Finding #2
	FASD review of card transactions input into the BofA System for errors	No Exceptions
Card Monitoring	Reconciliation process to identify, track, and follow-up on discrepancies	No Exceptions
	Correct GL codes used for each expenditure	No Exceptions
	Timely card deactivation upon employment changes.	Finding #3

A total of three audit findings were issued related to operational controls. Each of the below Findings are detailed in the subsequent pages, including our Recommendations and Management Responses.

**Summary of Findings**

Finding#	Page	Finding Title	Risk Rating**
F1	4	The Corporate Credit Card Policy has not been updated to reflect current practices	Medium
F2	6	Missing and untimely reporting of supporting documentation for credit card transactions	Low
F3	8	There is no formal process for the identification and subsequent de-activation of credit cardholders that have terminated or transferred to a new position	Low

Each of the above findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We would like to thank the Financial Accounting Services Division for their cooperation with this audit.

**REVIEWED AND APPROVED**



Richard P. Bendall  
 Chief Audit Executive

**Date:** August 16, 2023

**REPORT DISTRIBUTION**

2023 Audit Committee	Santos H. Kreimann, CEO	Ted Granger, Interim Chief Financial Officer
2023 Plante Moran Audit Team	Luis Lugo, DCEO	Internal Audit Group
Robert H. Griffin, Audit Committee Consultant	Laura Guglielmo, AEO	
Steven Rice, Chief Legal Counsel	J.J. Popowich, AEO	

\*\*See Appendix 2 for Findings' Risk Rating

## **FINDING #1**

**The Corporate Credit Card Policy has not been updated to reflect current practices.**

**Risk Level\*\***  
Medium

## **OBSERVATION**

The purpose of the LACERA Corporate Credit Card (Corporate Card) Program is to facilitate purchases as described and permitted within the LACERA Corporate Credit Card Policy (Policy). Corporate Card users (cardholders) are responsible for adherence to the Policy while the Financial and Accounting Services Division (FASD) oversees Policy and Program administration.

The Policy was last updated in March 2019. As part of our audit, we reviewed the Policy and compared to current practices. We noted several current practices have changed and are not documented in the Policy. For example, FASD established a Corporate Card Change Request Form (Change Request Form) to be used to request new cards, credit limit changes, card cancellations, and replacement cards. However, the Policy (Section 1.4) still requires that these types of changes be requested by email to the Corporate Card Administrators Outlook Mail List and makes no reference to the Change Request Form or instructions for completing it.

Further, we noted four areas where the Policy needs to be updated:

1. Provide criteria for the types of approvals acceptable to FASD to support expense documentation packets submitted (i.e., Adobe signatures, emails, wet signatures)
2. Include procedure for temporary limit increases.
3. Clarify the process for the handling and/or destruction of cards related to terminated or transferred cardholders.
4. Update the list of designated cardholders by position.

We also noted that FASD's desk procedures were not current and used by staff performing the administration of the Corporate Card Program. Written policies and procedures are an integral component of the governance surrounding each critical business process. Policies and procedures provide guidance in the pursuit of achieving the objectives of the process, help reduce misunderstandings, and increase distribution of pertinent information to those involved in the process to ensure compliance. Both the Policy and procedures should be reviewed and updated periodically and provided to staff along with training.

## **RISK**

Outdated or incomplete policies and procedures increase the risk of non-compliance and possible improper use of credit cards and unauthorized spending.

## **RECOMMENDATIONS**

1. FASD Management should update LACERA's Corporate Credit Card Policy. The Policy should include the date of next review in accordance with LACERA's requirements.
2. FASD Management should provide training on the new policy and requirements to all cardholders and division secretaries.

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\*\* See Appendix 2 for Findings' Risk Rating

## **MANAGEMENT'S RESPONSES**

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1. Management agrees with the recommendation and acknowledges that policy updates were postponed during the pandemic due to immediate and competing priorities. FASD will update the Corporate Credit Card Policy (Policy) and will review the Policy as required by LACERA's Policy on Policies. The revised Policy will include updates to strengthen procedural tasks noted above in the Observations.
2. Management agrees with the recommendation to provide training to cardholders and administrative assistants when there are updates to the Policy, and as needed when new cardholders are assigned.

For Observation 1 noted above, all signature types are considered acceptable, and the methods used have evolved over time. At the beginning of the pandemic, when LACERA first implemented remote work, some Divisions used wet signatures applied to documents that were scanned and sent over while other Divisions provided email approvals. Today, since Systems acquired and implemented Adobe Sign, many Divisions are using this tool. FASD's processes remained flexible to accommodate the various methods used by the Divisions that meet audit requirements.

For Observations 2-4, FASD management acknowledges that the Corporate Credit Card Administrators maintained a hard copy-based documentation system to keep forms, print emails, maintain card destruction documentation, and keep track of cardholder lists. Historically, paper-based documentation was maintained for administering the Corporate Credit Card program as required by the former CFO who retired in October 2019. For example, cardholder agreements (as referenced in Finding #2 below) were kept as hardcopy documents in a binder which proved to be difficult to maintain during transitions among three staff and when we moved our office space from one floor to another.

During the COVID-19 pandemic (which began in March 2020), FASD switched to an electronic filing documentation system and started accepting emails for requests of changes to the credit card. In addition, the primary Corporate Credit Card Administrator within this audit period, as well as the staff person assigned as their replacement, both resigned from LACERA. Due to the short staffing issues that FASD experienced in the past (at one point the vacancy rate was almost 40% within the Division), three different staff members (two described above) took on the role of primary Corporate Credit Card Administrator during this audit period and the documentation, change request submissions, and filing were inconsistent.

## **TARGET COMPLETION DATES**

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1. Expected Implementation Date is March 31, 2024, subsequent to the annual financial statement audit which is currently in progress.
2. Expected Implementation date is within 90-days following new Policy distribution (June 30, 2024).

## FINDING #2

**Missing and untimely reporting of supporting documentation for credit card transactions**

**Risk Level\*\***  
Low

### OBSERVATIONS

Our audit work included testing the administration of credit cards for compliance with the 2019 Policy. Based on our testing of thirty (30) credit card transactions, we identified the following:

1. Section 4.5 states *“Each time a Corporate Card purchase is made, either at the point-of-sale or by telephone/Internet, documentation shall be retained as proof of purchase.” The Policy also states: “ALL receipts and invoices must individually list the items purchased. A receipt showing only the total dollar amount is NOT acceptable”*. Based on our testing, we identified one (1) credit card transaction for a board offsite meeting was supported by an estimate, not the final detailed hotel bill with a complete break-down of actual charges.
2. Section 4.6.1. states *“Cardholder is responsible for submitting the accompanying receipts, along with the Corporate Card Program Submission of Supporting Documentation, to FASD’s Disbursements Unit within five (5) business days following each calendar month-end cycle. Based on our testing, one (1) expense packet supporting a cardholder’s monthly expenses were submitted five months after the month-end cycle. Upon further review of this transaction, we found that FASD followed appropriate protocol regarding the missing expense packet. FASD staff diligently followed up on the missing receipts, tracked them in the monthly escalation tracking report, and offered assistance to the cardholder to resolve the issue. FASD also escalated the matter up to Executive Management, however, there were extenuating circumstances and due to staffing shortages, the cardholder needed additional time. Management approved the extension of time for the cardholder to submit receipts. Due to the importance and urgency of purchases needed, the cardholder’s credit card privileges continued. FASD continues to attentively monitor this process to ensure that cardholders provide receipts in a timely manner which is crucial to ensure that unauthorized or unallowable charges are detected.*
3. Section 4.6 states *“The cardholder is required to enter the purpose of each expense in the “Comment” section on the transaction page of the Bank of America’s Online Works System (BofA System). We identified five (5) purchases that did not have the required note describing the justification for the expense within the BofA System. Furthermore, two (2) of the five (5) contained a blank comment field.*
4. Section 2 states: *“Corporate Credit Card Agreement (Agreement Forms) - Upon physical receipt of the Corporate Card, the Cardholder will be required to read, understand, and sign LACERA’s Corporate Card Agreement. This form documents that the Cardholder accepts the responsibility for the protection and proper use of the Corporate Card and is maintained by FASD. FASD could not locate six (6) Agreements Forms we requested. The Forms were believed to have been misplaced during FASD’s move to their current temporary location. Cardholders completed new Agreement Forms during the audit and FASD provided those to us.*

\*\* See Appendix 2 for Findings’ Risk Rating

## **RISK**

The risk of fraud, waste, and abuse increases when credit card purchases lack appropriate supporting documentation. Additionally, failure to ensure card holders understand, adhere to and are held accountable to the Policy may lead to further non-compliance.

## **RECOMMENDATIONS**

3. FASD Management should work with division managers and card holders to obtain missing supporting documentation for the exceptions noted above.
4. FASD Management should provide training to staff once the Policy is revised to ensure that staff are aware of requirements and expectations for supporting documentation.

## **MANAGEMENT'S RESPONSES**

3. Management agrees with the recommendation and believes it has made significant efforts to remedy the situation, and will continue working with the Executive Office and the Division Manager to obtain the missing items.
4. Management agrees with the recommendation and believes staff are fully aware of the requirements and expectations to obtain supporting documentation. Management will provide training and hold additional discussions with staff.

For Observation 1, FASD received an estimate on hotel letterhead which included a detailed breakdown of hotel charges to which the estimate agreed with the total actual charges.

For Observation 2, FASD notified and followed up with the Division Manager through a variety of methods as described above.

These observations show the importance of the Corporate Credit Cardholder in fulfilling their responsibility as Cardholders, obtaining and submitting proper documentation, adhering to the Corporate Card Agreement they agreed to and signed, and ensuring their charges are in compliance with the Policy. FASD attempts to influence actions through policy and procedure enforcement but ultimately cannot control individual behaviors.

## **TARGET COMPLETION DATES**

3. Expected Implementation Date is August 31, 2023, dependent upon FASD's ability to obtain the information from the Cardholder.
4. Expected Implementation Date is August 31, 2023.

### **FINDING #3**

**There is no formal process for the identification and subsequent deactivation of credit cardholders that have terminated employment or transferred to a new position.**

**Risk Level\*\***  
Low

### **OBSERVATION**

Per Section 6 of the Policy, any changes in the Cardholder's employment position must be immediately communicated to the Credit Card Program Administrator. Prior to termination of employment, a Cardholder must immediately return their assigned credit card to the Program Administrator. Cardholders will be held liable for unauthorized charges (including interest, if applicable) that occur after employment termination.

Relevant procedures that address cardholders that have terminated employment or transferred to new positions and the subsequent deactivation of access rights for that cardholder are not formally documented in the Policy or desk procedures. During our testing, we reviewed the process for identifying and deactivating cards of three terminated or transferred cardholders and noted the following:

Cardholder 1 – The cardholder terminated employment with LACERA in October 2022 without returning their credit card. The Credit Card Program Administrator (Program Administrator) only learned about the cardholder's departure through word-of-mouth and deactivated the card on June 7, 2023.

Cardholder 2 - The cardholder transferred to a new position and was no longer entitled to have a credit card. Although the card had expired and the credit card limit set to zero prior to the change in position, the cardholder still had access rights to the BofA System.

Cardholder 3 – The cardholder terminated employment with LACERA in March 2023 without returning their credit card. The Program Administrator only learned of the cardholder's retirement through an all-staff email announcement and deactivated the card based on that.

For all three, we verified that no purchases were made on the credit cards after the changes in the cardholder's employment status. However, we noted that there are no formal documented procedures on the process for notification and deactivation of credit card privileges in these circumstances. These procedures should include that cardholders, cardholder's supervisors and HR are required to provide timely notification of changes in employment status of cardholders to FASD.

### **RISK**

Without maintaining strong controls over the process of deactivating cards, may result in financial loss due to unauthorized card use.

### **RECOMMENDATIONS**

5. FASD Management should ensure that the Policy and/or procedures incorporate controls to ensure the timely notification to FASD of changes in the employment status of a cardholder.
6. FASD Management should ensure that the Policy and/or procedures require FASD staff to

\*\* See Appendix 2 for Findings' Risk Rating

deactivate the cards and associated access to the banking application.

### **MANAGEMENT'S RESPONSES**

5. Management agrees with the recommendation and will request that Human Resources include the Corporate Card Administrators email distribution list when providing the employee departure notifications.
6. Management agrees with the recommendation and will document and apply a consistent process to deactivate credit cards and online access when there are changes in employment status.

### **TARGET COMPLETION DATES**

5. Expected Implementation Date for process changes is September 30, 2023.
6. March 31, 2024, for formal Policy updates, subsequent to the annual financial statement audit which is currently in progress.

## **APPENDIX 1 AUDIT RATING SCALE**

Internal Audit issues three standard audit report evaluations as defined below:

### **Satisfactory**

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

### **Opportunities for Improvement**

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

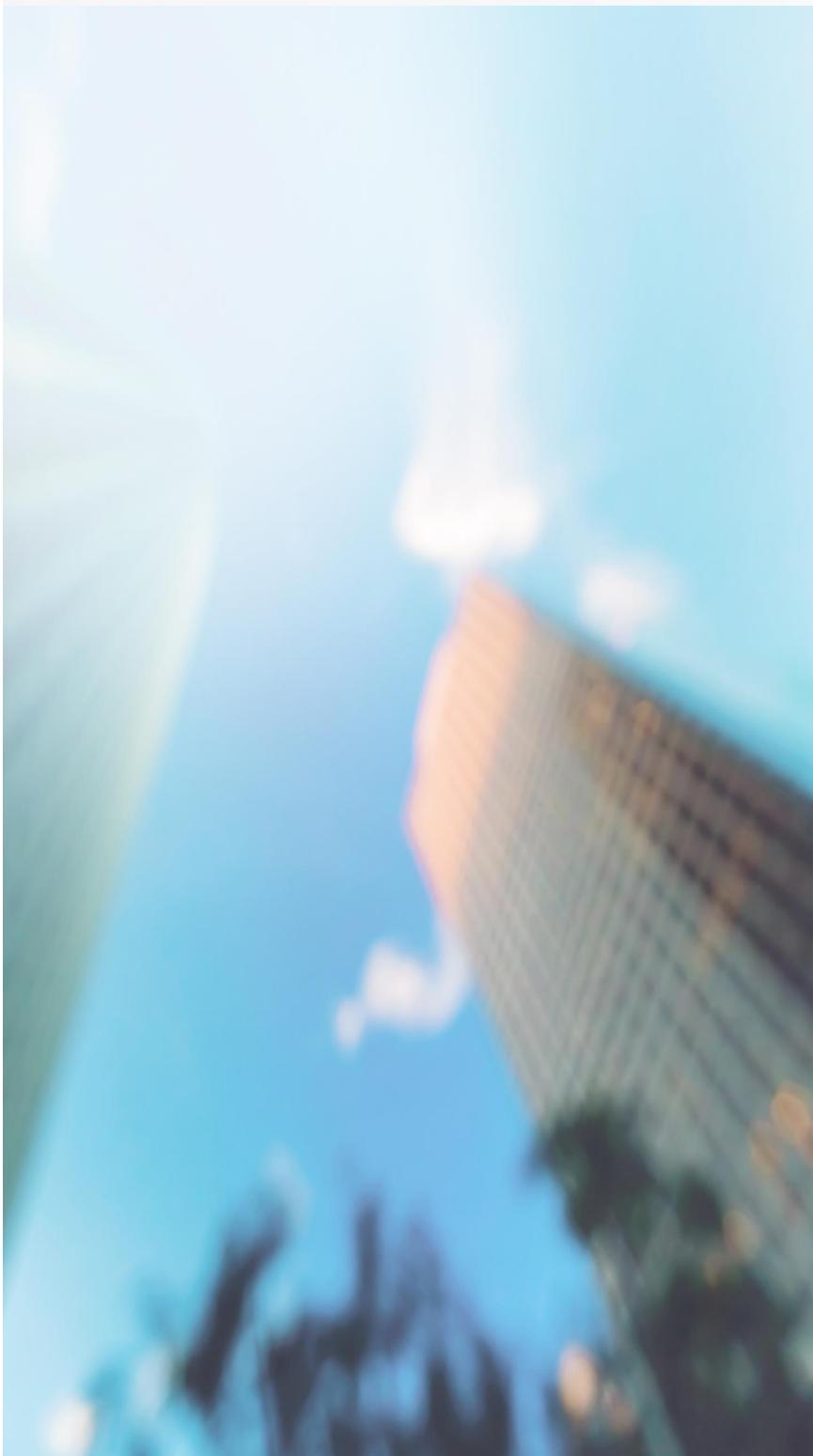
### **Unsatisfactory**

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

## APPENDIX 2 FINDING'S RISK RATING SCALE

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	Financial	Internal Controls	Compliance	Reputational	Executive Management
<b>High</b>	<p>Large financial impact to LACERA or members</p> <p>Actions not aligned with fiduciary responsibilities</p>	<p>Missing or inadequate key internal controls</p> <p>Not adequate to identify fraud, noncompliance or misappropriation</p>	<p>Non-compliance with applicable Federal or state laws or LACERA's policies</p>	<p>High probability for external audit issues and/or negative public perception</p>	<p>Important critical business process identified by Exec Office</p> <p>Requires immediate attention</p>
<b>Medium</b>	<p>Moderate financial risk to LACERA or members</p> <p>Actions could be better aligned with fiduciary responsibilities</p>	<p>Partial key internal controls</p> <p>Not adequate to identify noncompliance or misappropriation in timely manner</p>	<p>Inconsistent compliance with applicable Federal or state laws or LACERA's policies</p>	<p>Potential for external audit issues and/or negative public perception</p>	<p>Relatively important</p> <p>May or may not require immediate attention</p>
<b>Low</b>	<p>Low financial impact to LACERA or members</p>	<p>Internal controls in place but not consistently efficient/effective</p> <p>Implementing / enhancing controls could prevent future problems</p>	<p>General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist</p>	<p>Low probability for external audit issues and/or negative public perception</p>	<p>Lower significance</p> <p>Does not require immediate attention</p>



# Audit of Corporate Credit Cards

**Audit Report Date:** August 16, 2023

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Presented by:

Gabriel Tafoya, Senior Internal Auditor

# Summary of Engagement



Responsible Division:	Financial Accounting Services Division
Type of Engagement:	Assurance
Audit Rating:	Opportunities for Improvement
Prior Audit Rating:	Opportunities for Improvement

## Type of Engagements

**Assurance:** 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.

**Consulting:** Collaborate with Management to provide a formal assessment and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

**Advisory:** Provide Management with informal advice.



## Background

We last performed a compliance audit of the Program in Fiscal Year 2019-2020. We are re-auditing this area to ensure continuing compliance with the Corporate Credit Card Policy.

## Objectives

The audit objectives were to assess program compliance with LACERA's Corporate Credit Card Policy. The compliance areas reviewed for this audit include verification that:

- Cardholders are authorized for LACERA-issued credit cards.
- Transactions incurred are allowable expenses.
- Sufficient documentary evidence has been provided.
- Expense reports were submitted by the FASD-imposed deadlines.



## Scope

Engagement scope included review of credit card transactions occurring between March 1, 2022 – March 31, 2023.

# Audit Results



Audit Results Dashboard – Audit of Corporate Credit Cards		
Processes Reviewed	Associated Control Attributes Tested	Test Results
Credit Card Program Governance	Documented and current policies and procedures	Finding #1
	Periodic cardholder training	Finding #1
Card Issuance	Established criteria for eligible cardholders	No Exceptions
	Executive approval prior to issuance of card	No Exceptions
	Appropriate levels of segregation of duties for card distribution	No Exceptions
	Signed and maintained Credit Card Agreements	Finding #2
Allowable Purchases	Defined and documented criteria for allowable purchases	No Exceptions
	Required receipts for all card transactions	No Exceptions
	Management review and approval of monthly spending	No Exceptions
	Timely submission of supporting documentation for incurred charges	Finding #2
	Accurate cardholder's data input of card transactions in BofA System	Finding #2
	FASD review of card transactions input into the BofA System for errors	No Exceptions
Card Monitoring	Reconciliation process to identify, track, and follow-up on discrepancies	No Exceptions
	Correct GL codes used for each expenditure	No Exceptions
	Timely card deactivation upon employment changes.	Finding #3

# Summary of Findings



Finding #	Title of Finding	Rating	Management Response
1	The Corporate Credit Card Policy has not been updated to reflect current practices	Medium	<p>Agree. FASD will:</p> <ul style="list-style-type: none"> <li>• Management agrees with the recommendation and acknowledges that policy updates were postponed during the pandemic due to immediate and competing priorities. FASD will update the Corporate Credit Card Policy (Policy) and will review the Policy as required by LACERA's Policy on Policies. The revised Policy will include updates to strengthen procedural tasks noted above in the Observations.</li> <li>• Management agrees with the recommendation to provide training to cardholders and administrative assistants when there are updates to the Policy, and as needed when new cardholders are assigned.</li> </ul>
2	Missing and untimely reporting of supporting documentation for credit card transactions	Low	<p>Agree. FASD will:</p> <ul style="list-style-type: none"> <li>• Management agrees with the recommendation, believes it has made significant efforts to remedy the situation, and will continue working with the Executive Office and the Division Manager to obtain the missing items.</li> <li>• Management agrees with the recommendation and believes staff are fully aware of the requirements and expectations to obtain supporting documentation. Management will provide training and hold additional discussions with staff.</li> </ul>
3	There is no formal process for the identification and subsequent de-activation of credit cardholders that have terminated or transferred to a new position	Low	<p>Agree. FASD will:</p> <ul style="list-style-type: none"> <li>• Request that Human Resources include the Corporate Card Administrators email distribution list when providing the employee departure notifications.</li> <li>• Document and apply a consistent process to deactivate credit cards and online access when there are changes in employment status.</li> </ul>

# Thank you



We would like to thank FASD for their cooperation on this engagement and invite them to provide any comments.





August 11, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez  
Jason E. Green

Audit Committee Consultant  
Robert H. Griffin

FROM: George Lunde *GL*  
Senior Internal Auditor

FOR: August 31, 2023 Audit Committee Meeting

SUBJECT: **Los Angeles County's Compliance with Requirements for Rehired Retirees - Fiscal Year Ended June 30, 2022**

## **RECOMMENDATION**

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

1. Accept and file report,
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.

## **BACKGROUND**

At the June 1, 2023 Audit Committee meeting the Committee requested that staff clarify why the efforts taken by management to address the recommendations of the FYE June 30, 2021 report were not reflected in the results of the audit for the FYE June 30, 2022. To that end we have included a "Preface" in the report explaining the timing of the two audits. **(Attachment A)**

Additionally, the Committee asked that we provide more information on CalPERS' efforts to establish a policy regarding rehired retirees which addresses limited duration in accordance with PEPRA. CalPERS' Board of Administration approved their more restrictive policy in February 2023. We have attached the redline version of the California government code section, related to the limited duration requirements for rehired retirees approved at that meeting (§574.1 Definition of Limited Duration Employment). **(Attachment B)**

Further, we are pleased to report that our preliminary test work for FYE June 30, 2023, confirms that positive efforts by LACERA management and staff along with our ongoing collaboration with the County CEOs office resulted in only 3 individuals violating the 960-hour limit, by 24.0 hours, 8.0 hours, and 0.50 hours, respectively. We will provide the full audit to the Committee at your December 14 meeting. The table below reflects our preliminary results for FYE June 30, 2023 in comparison to prior fiscal years.

<b>Fiscal Year End June 30</b>	<b>Rehired Retirees</b>	<b>Noncompliant Rehires</b>	<b>Noncompliance as Percentage</b>	<b>Total Hours Over</b>	<b>Average Hours Over</b>
2023	393	3	0.76%	32.5	11
2022	381	17	4.46%	964	57
2021	408	10	2.40%	1778	177
2020	500	1	<1.0%	414	414
2019	482	5	1.00%	47	9.4
2018	476	6	1.30%	145	24

Attachments

- A. Engagement Report - Los Angeles County's Compliance with Requirements for Rehired Retirees - FYE June 30, 2022 [Report Issued: April 28, 2023]
- B. CALPERS February 2023 Board Cover Memo and Redline Approved (§574.1 Definition of Limited Duration Employment).

Noted and Reviewed:



Richard P. Bendall  
Chief Audit Executive



**Los Angeles County's Compliance with Requirements for  
Rehired Retirees – Fiscal Year Ended June 30, 2022**

**April 28, 2023**

**AUDIT PERFORMED BY:**

George Lunde  
Senior Internal Auditor

## AUDIT REPORT

<b>Audit Name:</b>	Los Angeles County's Compliance with Requirements for Rehired Retirees - FYE June 30, 2022
<b>Responsible Division:</b>	Executive Office
<b>Audit Rating*:</b>	Unsatisfactory
<b>Prior Audit Rating*:</b>	Unsatisfactory
<b>Prior Report Date:</b>	November 2022

### **PREFACE**

Internal Audit has performed this audit on an annual basis for over ten years. Our audits for the last three fiscal years ending with Fiscal Year Ended, June 30, 2020, showed significantly improved compliance by the County with the annual 960-hour limit and break-in-service requirements for rehired retirees.

However, due to the Governor's emergency Covid-19 orders, certain restrictions related to rehired retirees, including the break-in-service and 960-hour limitation, were suspended, but only for retirees working on job assignments directly related to combating the Covid-19 pandemic. These orders were in place through most of the two Fiscal Years Ended June 30, 2021 and June 30, 2022.

During this time, the County provided departments with a specific payroll code to be used by rehired retirees on Covid-19 related work. We excluded these Covid-19 coded payroll hours from our calculations and testing for compliance with the 960-hour limit. However, after excluding the Covid-19 hours, we noted a significant increase in non-compliance in the non-Covid related rehired retiree population. For example, whereas there had been one rehired retiree that exceeded the limit in the Fiscal Year Ended, June 30, 2020, there were 10 in the Fiscal Year Ended, June 30, 2021 and 17 in the Fiscal Year Ended, June 30, 2022. We cannot be sure, but it appears that confusion at the County departments related to the proper coding of timecards for Covid related rehired retirees may have contributed to the increase in non-compliance.

Further, this delayed the completion of our audit work for Fiscal Year Ended, June 30, 2021, as we worked with the County CEO's office (BCOMP Unit) staff to try to determine what had happened at those departments with violations. As a result, our report for the Fiscal Year Ended, June 30, 2021, was not issued until November 2022. This was after the year end related to this current audit, for Fiscal Year Ended June 30, 2022.

As a result, for the Fiscal Year Ended June 30, 2022 audit, the repeat of an unsatisfactory audit rating and audit findings and recommendations was expected as LACERA management and staff did not have an opportunity to take any corrective action to communicate with the County to address the findings prior to the period being tested. However, as the updated management responses indicate in this report, management and staff have subsequently made significant efforts to address the prior report's findings and recommendations. We believe that the efforts by management and staff along with the end of the Covid-19 exemptions prior to the beginning of Fiscal Year Ended, June 30, 2023, will result in significant improvement in compliance. We expect to complete our testing for that audit in August 2023.

## **BACKGROUND**

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As part of our Audit Plan, we conducted an audit of Los Angeles County's (County) compliance with requirements for hiring County retirees for fiscal year ended June 30, 2022. We perform this audit annually as failure to adhere to the regulations and requirements not only violates the state law governing retirement benefits, but it could also jeopardize the qualified tax deferred status of LACERA under federal tax law because LACERA is the plan administrator responsible for ensuring that applicable law is followed in connection with compliance of laws, such as those relating to Rehired Retirees, that may impact the payment of benefits.

The State of California's County Employees Retirement Law of 1937 (CERL) and Public Employees' Pension Reform Act of 2013 (PEPRA) provide that the County has the option to employ retirees as "Rehired Retirees" subject to certain requirements. Under Government Code Sections 31680, 31680.2, and 31680.6 of CERL and Section 7522.56 of PEPRA, Rehired Retirees may work up to 960 hours per fiscal year, on a temporary basis, without affecting their retirement status or benefits.

In addition, Internal Revenue Service (IRS) regulations require a "bona fide" break in service after retirement if the retiree is under the "normal retirement age," before the retiree can be rehired. To comply with the IRS regulation, LACERA's Board of Retirement adopted a resolution in 2006 stating that a member under the "normal retirement age" may not return to temporary County service within 90 days of his or her retirement date. All Rehired Retirees under their "normal retirement age" must comply with at least the 90-day break in service requirement, as well as the requirements of PEPRA.

"Normal retirement age," as defined by LACERA's Board of Retirement, is as follows:

- Age 57 for general members of Plan A, B, C, D, or G
- Age 65 for general members of Plan E
- Age 55 for safety members

PEPRA added additional restrictions for Rehired Retirees regarding break in service. PEPRA requires 180 continuous days separation from the date of retirement before a retiree may be rehired. PEPRA does allow the following two limited exceptions to the 180-day requirement:

- If the employer can certify it is necessary to fill a critically needed position and the hiring has been approved by the Board of Supervisors (or the Board of Retirement, for LACERA positions) in an open meeting
- If the retiree is a public safety officer or firefighter

Those who are eligible for the PEPRA 180-day break-in-service exceptions still must comply with the IRS's "bona fide" break-in-service of 90 days if under normal retirement age. In the event of a conflict between the CERL and PEPRA provisions, PEPRA's requirements take precedence over CERL.

PEPRA Section 7522.56 (c) provides that appointing employers may only rehire retirees either during an emergency to prevent stoppage of public business or because the rehired person has skills needed to perform work of "limited duration." This term is not defined, but it has meaning.

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\* See Appendix 1 for Audit Rating.

On March 4, 2020, the Governor of California declared a statewide emergency due to the COVID-19 pandemic. He issued Executive Order N-25-20 on March 12, 2020, to enhance California's ability to respond to COVID-19 by suspending certain reinstatement and work hour limitations with respect to COVID-related work under PEPRA. Subsequently, he issued Executive Order N-35-20 on March 21, 2020, to extend the suspension of these limitations to local governments.

On March 30, 2020, the County Chief Executive Officer (CEO) issued a notification to Department Heads that the Governor's declarations superseded applicable portions of Countywide Policy, Procedure, and Guideline (PPG) 505 "Reinstatement of Retirees to a 120-Day Temporary Assignment."

Effective March 12, 2020 as a result of, both the State Executive Orders and the related County notification, the following compliance requirements were suspended for those Rehired Retirees working on job assignments directly related to combating the COVID-19 pandemic:

- Limitation of 960 hours per fiscal year
- 90-day break in service requirements
- 180-day PEPRA break in service requirements

The COVID-19 waivers as described above were terminated under the Governor's Executive Order N-08-21 dated June 11, 2021 and then later reinstated under Executive Order N-12-21 dated August 16, 2021, under which the waivers were in place through March 31, 2022.

### **AUDIT OBJECTIVE & SCOPE**

For Fiscal Year Ended June 30, 2022, LACERA Internal Audit received payroll detail from the County Auditor-Controller identifying 381 retirees who worked as Rehired Retirees during that Fiscal Year.

We tested all 381 (100%) for compliance with:

- CERL's 960-hour requirement, hours worked did not exceed 960 hours for the Fiscal Year except where the Rehired Retiree's time was coded as COVID-19 related work as permitted under the Executive Orders with respect to such work performed during the Fiscal Year through March 31, 2022,
- IRS' "bona fide" break-in-service requirement, defined as 90 days by LACERA's Board of Retirement, except where the Rehired Retiree's assignment was coded as COVID-19 related work and the Rehired Retiree was hired during the Fiscal Year through March 31, 2022, and
- PEPRA's 180-day break in service requirement, except where the Rehired Retiree's assignment was coded as COVID-19 related work and the Rehired Retirees was hired during the Fiscal Year through March 31, 2022.

Additionally, to test the PEPRA requirement of “limited duration,” we stratified all 381 retirees, based on continuous years worked. We used the data that we have accumulated over the last 10 years, to perform this compliance test. In performing this work, we considered that certain work was performed during the period of the COVID waivers.

**AUDIT RATING & SUMMARY OF FINDINGS**

Since we completed our audit of Fiscal Year Ended June 30, 2021, after the end of the Fiscal Year of this audit (FYE June 30, 2022) and since LACERA management therefore did not have the opportunity to follow up with the County, we expected that the results of this audit would be similar to the prior year and that proved true. We are hopeful that management’s attention to the recommendations made for the FYE June 30, 2021 audit will affect improvement in our audit results beginning with the next audit for FYE June 30, 2023.

For this audit of FYE June 30, 2022, the audit rating remains **Unsatisfactory**, and the Findings are the same as the prior year. As a result, while we are not issuing new recommendations, the findings this year support us reiterating the recommendations issued for the prior year audit, and we requested Management update responses.

**Summary of Findings**

Finding#	Page	Description of Finding	Risk Rating**
F1	7	Continued year-over-year increase in the number of Rehired Retirees violating 960-hour limit with respect to non-COVID-related work	High
F2	10	Continued Violation of PEPRA’s “limited duration” language	High

Each of the above Findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We noted no issues of noncompliance with regards to the PEPRA 180-day break-in-service requirements, or the IRS 90-day break-service requirement.

**REVIEWED AND APPROVED**



Richard P. Bendall  
 Chief Audit Executive

Date: April 28, 2023

\*\* See Appendix 2 for Finding’s Risk Rating

**REPORT DISTRIBUTION**

2023 Audit Committee	Santos H. Kreimann, CEO
Steven P. Rice, Chief Legal Counsel	Luis A. Lugo, DCEO
Robert Griffin, Audit Committee Consultant	JJ Popowich, AEO
Internal Audit Group	Laura Guglielmo, AEO

**FINDING # 1**

<b>Continued year-over-year increase in the number of Rehired Retirees violating 960-hour limit with respect to non-COVID-related work</b>	<b>Risk Level **</b> High
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**OBSERVATION**

As indicated in the table below, our testing noted an increase in the number of Rehired Retirees who exceeded the 960-hour limit for non-COVID-related work relative to prior years. Internal Audit reported all 17 exceptions noted to the Benefits and Employee Relations Division (BCOMP) of the County's CEO office.

Fiscal Year Ended June 30	Rehired Retirees	Noncompliant Rehired Retirees	Noncompliance as a Percentage	Total Overage Hours	Average Hours Over
2022	381	17	4.46%	964	57
2021	408	10	2.4%	1778	177
2020	500	1	<1.0%	414	414
2019	482	5	1.0%	47	9.4
2018	476	6	1.3%	145	24

According to BCOMP, County departments for three of the 17 staff with overage violations indicated they were on COVID related assignments, an indication their timecards were not coded properly. The remaining 14 violations were not explained. Overall selected departments were not effectively using the available, "**120-Day Retirees For FY 2022**" report to monitor Rehired Retiree employees as they approach the 960-hour policy limit. Following is the list of departments with the associated number of employees that exceeded the 960-hour limit.

Department Name	Count	Hours
Agricultural Comm/Weights	1	10
Alternate Public Defender	1	173
Assessor	1	92
Chief Executive Office	5	345
District Attorney	2	11
Fire Department	1	16
Human Resources	1	54
LAC USC Medical Center	1	11
Public Defender	2	106
Public Health Program	1	146
Superior Court Judges	1	2
<b>Total Violations FYE 2022</b>	<b>17</b>	
<b>Total Hours Over</b>		<b>964</b>

See Appendix 2 for Finding's Risk Rating

## **RISK**

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Failure to adhere to the 960-hour limit is a violation of CERL Section 31680.6, LA County PPG 505, the IRS and PEPRA, Section 7522.56 for non-COVID-related work. Non-compliance with CERL, IRS regulations and/or PEPRA could risk LACERA's qualified plan status. Non-compliance also place the affected employees at risk in terms of potential impact on their pension and/or potential responsibility to repay overpaid amounts. Compliance is the responsibility of the County as the employer but also of LACERA as plan administrator in not paying benefits to those who may not be entitled.

## **RECOMMENDATION**

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We continue with our recommendations from our previous audit report of November 4, 2022.

1. LACERA's CEO should formally request the County CEO in conjunction with the County Director of Human Resources and Auditor-Controller to prepare a corrective action plan that consolidates and actively monitors the Rehired Retiree (960-hour limit) reporting requirements for all County departments as to non-COVID-related work and properly identifies and tracks COVID-related work.
2. We recommend LACERA's Executive Office, Systems, and Benefits work with the County's CEO Office and Auditor-Controller to establish an automated feed of Rehired Retirees' hours as part of payroll data.
3. We recommend LACERA's Executive Office, Legal Office, and Benefits develop a policy and procedure to address both preventing overages and taking the required action on the retirement payroll of retirees that violate the 960-hour limit for non-COVID-related work.

## **MANAGEMENT'S RESPONSE**

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### March 2023 Update

LACERA has partnered with the Auditor Controller office to have the 120-day report automatically populate into retiree Workspace accounts. We will be programming Workspace to flag retirees that have been rehired under the 120-day program, send notification letters to inform these members of the limits of their employment, and provide warning letters to the member and department when nearing the 960-hour limit. This is scheduled to be in place on July 1, 2023.

For the current fiscal year, the Benefits division has been reaching out to members that are approaching the 960-hour limit via phone calls or emails. We have also partnered with the County's CEO office to provide the departments training on how to onboard a Rehired Retiree. This will include the consequences for violating the 960-hour limit.

Processes are currently being developed to address members that violate the 960-hour limit. These processes will include a suspension of benefits to prevent members from double dipping. Our focus will remain to educate members and their departments to avoid a suspension of benefits.

(November 4, 2022, Response)

LACERA management supports the outlined recommendation(s) in working with the County's CEO office, Auditor Controller, and County Human Resource department to determine if we're able to obtain (preferable in an automated fashion) Rehired Retirees' hours to ensure compliance against the 960-hour limit for non-COVID-related work and properly identifies and tracks COVID-related work.

In terms of actionable steps, management will set-up a meeting with County CEO, Auditor Controller, and Human Resources to explore data feed options. The County is currently in the process of a "black-out" year-end system maintenance and will not take on new data projects until mid-January 2023, as described by the Auditor Controller Division Chief. We're not able to provide an exact timeframe for when this recommendation will be implemented, since it's predicated on the County's bandwidth and willingness to provide data. We commit to engaging the County in January 2023 and providing an update by March 30, 2023.

After conferring with the County and assessing the extent of their ability to track employee time, LACERA will develop and implement a policy and set of procedures to include the normal process as well the consequences and remediation needed to ensure compliance with CERL, PEPRA and the IRS requirements.

**TARGET COMPLETION DATE**

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July 1, 2023

**FINDING #2**

**Continued Violation of PEPRA’s “limited duration” language**

**Risk Level \*\***  
 High

**OBSERVATION**

Using data from the Auditor-Controller (AC), we stratified the Rehired Retiree population based on continuous years worked. The following table breaks out the 381 Rehired Retirees, who worked during FYE June 30, 2022, by the number of consecutive years worked and identifies the average hours worked by each Rehired Retiree.

Consecutive Years RRs Worked Through FYE 2022	RR Count	Averaged Hours (per) RR (per) Year
1	84	480
2	32	670
3	50	660
4	38	689
5	29	653
6	24	659
7	31	687
8	27	731
9	16	512
10+	50	737

\*\* See Appendix 2 for Finding’s Risk Rating

The following table breaks down the 381 Rehired Retirees, who worked during FYE June 30, 2022, by department.

Department Name / RR Count	Consecutive Years										Total
	1	2	3	4	5	6	7	8	9	10+	
Alternate Public Defender	4										4
Chief Executive Office		12	4		1		1			2	20
Assessor	6			2	1			1		3	13
Auditor-Controller	1	1	1								3
Agricultural Comm/Weights			1								1
Beaches and Harbor								1			1
Board of Supervisors	1	3					1	1		2	8
Consumer Affairs										1	1
County Counsel		2									2
Children and Family Services	19		15	11	11	2	2	6	4	20	90
Community Services	1		1	1							3
District Attorney	14		3	3		1	1	1	4		27
Fire Department					1		1			2	4
LAC USC Medical Center		1									1
Human Resources	1	3	1			2	2	1		1	11
Ambulatory Care Network	1										1
Health Services Administration			1					1			2
Internal Services				1	1				2		4
Chief Medical Examiner Coroner							1		1		2
Mental Health	1										1
LACERA	1	2	1							1	5
Probation		1		1	1	1					4
Public Defender	15	1		2	1						19
Public Health Program	1	2	6		4	2	3	1			19
Parks and Recreation	1		1	1							3
Public Works	1						1				2
Registrar-Recorder	1										1
Superior Court	8	2	2		1	1		3		1	18
Sheriff	7	2	13	16	7	15	18	11	5	17	111
Grand Total	84	32	50	38	29	24	31	27	16	50	381

Of the 381 current Rehired Retirees, 50 (13%) have worked consecutively as Rehired Retirees for ten or more years, averaging 737 hours each, per year, over the past five years.

This situation violates PEPR section 7522.56 (c) where it states, “A person who retires from a public employer may serve without reinstatement from retirement or loss or interruption of benefits provided by the retirement system upon appointment by the appointing power of a public employer either during an emergency to prevent stoppage of public business or because the retired person has skills needed to perform work of **limited duration.**” While this term is not defined in PEPR, it has meaning and LACERA, as benefit trust fund administrator, could

proceed with recovery of trust funds for benefits paid during the period of excessive, unlawful work duration.

## **RISK**

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The above chart highlights a situation which could potentially lead to headline risk regarding the lack of compliance with the PEPRA laws around the use of Rehired Retirees and gives the appearance of allowing “double dipping.” It also highlights a continued reliance on the Rehired Retiree to avert an implied risk of business disruption in their absence.

## **RECOMMENDATION**

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We continue with our recommendation from our previous audit report of November 4, 2022.

4. We recommend LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined “bright-line” definition, tracking, and annual review of limited duration to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law.

## **MANAGEMENT'S RESPONSE**

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### March 2023 Update

We have been in contact with CalPERS and are monitoring their efforts to regulate limited duration employment for Rehired Retirees. CalPERS is developing updated regulations that they expect to submit to their Board for approval. LACERA is monitoring their process and may develop similar regulations that will generally limit re-employment to a two-year period.

LACERA's Legal Office was provided the proposed regulations and are monitoring CalPERS' progress. The Legal and the Executive Office will make a determination if LACERA will develop similar regulations by June 2023 or propose a different alternative.

(November 4, 2022, Response)

The current LACERA policy allows for a broad definition of limited duration for non-COVID-related work. We believe that most CERL systems have not yet “defined” limited duration in terms of a specified timeline regarding Rehired Retirees, instead they focus on ensuring Retirees are meeting the annual 960-hour compliance.

For an employer as large as the County of Los Angeles, it's difficult to determine a one size fits all definition for “limited duration” due to the workforce complexities of the various departments (Sheriffs, Dept. of Health, Dept. Human Services, etc.). Instead, our revised recommendation is to provide the County CEO's office with education around PEPRA's intent behind limited duration for Rehired Retirees.

## **TARGET COMPLETION DATE**

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June 30, 2023.

## **APPENDIX 1 AUDIT RATING SCALE**

Internal Audit issues three standard audit report evaluations as defined below:

### **Satisfactory**

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

### **Opportunities for Improvement**

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

### **Unsatisfactory**

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

**APPENDIX 2  
 FINDING’S RISK RATING SCALE**

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

<b>Rating</b>	<b>Financial</b>	<b>Internal Controls</b>	<b>Compliance</b>	<b>Reputational</b>	<b>Executive Management</b>
<b>High</b>	<p>Large financial impact to LACERA or members</p> <p>Actions not aligned with fiduciary responsibilities</p>	<p>Missing or inadequate key internal controls</p> <p>Not adequate to identify fraud, noncompliance, or misappropriation</p>	<p>Non-compliant with applicable Federal or state laws or LACERA’s policies</p>	<p>High probability for external audit issues and/or negative public perception</p>	<p>Important critical business process identified by Exec Office</p> <p>Requires immediate attention</p>
<b>Medium</b>	<p>Moderate financial risk to LACERA or members</p> <p>Actions could be better aligned with fiduciary responsibilities</p>	<p>Partial key internal controls</p> <p>Not adequate to identify noncompliance or misappropriation in timely manner</p>	<p>Inconsistent compliance with applicable Federal or state laws or LACERA’s policies</p>	<p>Potential for external audit issues and/or negative public perception</p>	<p>Relatively important</p> <p>May or may not require immediate attention</p>
<b>Low</b>	<p>Low financial impact to LACERA or members</p>	<p>Internal controls in place but not consistently efficient/effective</p> <p>Implementing / enhancing controls could prevent future problems</p>	<p>General compliance with applicable Federal or state laws or LACERA’s policies, but some minor discrepancies exist</p>	<p>Low probability for external audit issues and/or negative public perception</p>	<p>Lower significance</p> <p>Does not require immediate attention</p>



## Board of Administration

# Agenda Item 8b

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**February 14, 2023**

**Item Name:** Proposed Regulation for the Definition of Limited Duration Employment

**Program:** Employer Account Management Division

**Item Type:** Action

### **Recommendation**

Approve the submission of the final rulemaking package defining limited duration employment to the Office of Administrative Law.

### **Executive Summary**

CalPERS drafted this proposed regulation to define the term “limited duration” for post-retirement appointments and active classic members serving in upgraded positions/classifications. CalPERS received comments from 10 public agencies, two state departments, one school employer, four employee or employer associations, one law firm, and one individual during the 15-day public comment period. CalPERS is not proposing any substantive amendments to the proposed regulation, but is proposing non-substantive changes to the proposed regulation for readability and clarity (Attachment 1).

CalPERS believes this proposed regulation reflects the feedback it has received throughout the regulation development process, balancing the comments received from all parties. CalPERS will continue to educate and communicate with stakeholders throughout the proposed regulation process, and ensure CalPERS-covered public employers (hereinafter referred to as employers) understand the processes and procedures that will be implemented and are prepared for the upcoming changes and responsibilities.

### **Strategic Plan**

This agenda item supports the 2022-27 CalPERS Strategic Plan, Organizational Excellence Goal through the objective of cultivating compliance and risk functions throughout the enterprise.

### **Background**

On April 18, 2022, the Board of Administration (Board) approved the proposed regulatory action to clarify what is considered “limited duration” employment as stated in Government Code (GC)

sections 7522.56, 21224, and 21229 for retired persons serving after retirement and section 571(a)(3) of Title 2 of the California Code of Regulations (CCR) for employees required by their employer or governing board or body to work in an upgraded position or classification. The Notice of Proposed Regulatory Action was published in the California Regulatory Notice Register (File Number Z-2022-0607-10) on June 17, 2022. The 45-day comment period commenced on June 17, 2022 and closed on August 1, 2022. CalPERS received public comments from 39 submitters.

Following the 45-day comment period, CalPERS amended the proposed regulation to reflect the feedback received, balancing comments received from all parties. On November 15, 2022, the Board approved the amendments to the proposed regulation and moving forward with a 15-day comment period. CalPERS initiated a 15-day comment period from December 1-16, 2022 to provide the public an opportunity to comment on the revised proposed regulation. CalPERS received public comments from 19 submitters.

The proposed regulation defines “limited duration” as a limit of 24 consecutive months per appointment for retired persons serving after retirement, with an employer’s option to extend the post-retirement appointment no more than twice, up to 12 consecutive months per extension, beyond the initial limit of 24 consecutive months, but not exceeding a total of 48 consecutive months upon satisfaction of specified conditions. In addition, to meet the business needs of employers, the proposed regulation provides employers an option to request an exemption to extend the retired person’s appointment beyond the initial 24 consecutive months and the two 12 consecutive month extensions upon satisfaction of specified conditions. CalPERS will either grant or deny the employer’s request for exemption based on the documents received within 60 days of receiving the request. A retired person may serve in more than one post-retirement appointment as follows:

- With the same employer as long as the duties for the subsequent post-retirement appointment do not overlap with the duties of any previous post-retirement appointment for that employer subject to this proposed regulation, and
- With a different employer from any previous employer the retired person performed duties for after retirement while in a position subject to this proposed regulation.

In addition, if the terms of a collective bargaining agreement provide the duration of permissible employment for the retired person, then the definition of 24 consecutive months would not apply. Instead, the duration provided in the applicable collective bargaining agreement, not to exceed 60 consecutive months, would be the maximum duration for the post-retirement appointment for the retired person in the employ of that employer and cannot be extended beyond the maximum duration. In addition, the retired person cannot serve in a subsequent post-retirement appointment with that same employer.

The proposed regulation also defines “limited duration” as a limit of 24 consecutive months for active classic members to serve in an upgraded position/classification for purposes of reporting temporary upgrade pay to CalPERS as reportable compensation. An active classic member may serve in the same upgraded position/classification more than once and initiate a new 24 consecutive month period if the appointment to the upgraded position/classification is:

- The active classic member’s first appointment subsequent to a permanent appointment held by a different individual for the same upgraded position/classification, or

- The active classic member's first appointment subsequent to a different individual that retained the permanent appointment for the same upgraded position/classification who returned to the permanent appointment from an approved leave.

## **Analysis**

CalPERS reviewed all comments, and this agenda item summarizes the comments for defining limited duration as described below. Please see Attachment 2 for a comprehensive summary and CalPERS' proposed response to all comments received.

## **Working After Retirement Appointments**

### Definition of Limited Duration

One commenter stated that due to the inclusion of extensions and exemptions, and the fact that there is no upper limit of how many exemptions may be requested per appointment, an appointment of "limited duration" can be indefinite. If the employer determines that the retired person's skills are needed beyond the 48<sup>th</sup> consecutive month, the proposed regulation allows the employer to request one of the following two exemptions to further extend the appointment:

- Continuous extension if the appointment does not exceed 120 hours per fiscal year, or
- An extension of 12 consecutive months

While the proposed regulation does not specify a limit on the number of exemptions an employer may request per appointment, the proposed regulation sets standards and criteria the employer must meet to extend the post-retirement appointment. The employer must satisfy all of the criteria each time the employer extends the post-retirement appointment through the extension or exemption processes.

In regard to the definition of "limited duration," two commenters suggested changing the definition from 24 consecutive months to either 12 consecutive months or 48 consecutive months. In addition, three commenters suggested the current limit of 960 hours per fiscal year that a retired person is allowed to work is sufficient to define "limited duration" and should not change. CalPERS did not adopt any suggested changes to the definition of "limited duration." The proposed definition as a limit of 24 consecutive months per appointment aligns with Government Code section 19080.3, authorizing limited term appointments with the State of California to be up to a total duration of two years for temporary staffing needs in certain circumstances. The 960-hour limit for post-retirement appointments is a separate limitation from the requirement that the appointment be of "limited duration."

### Definition of Appointment

One commenter expressed concern regarding the no overlapping duties requirement differentiating post-retirement appointments with the same employer as being overly complex, requested clarification on what would be considered overlapping duties, and provided an alternative for consideration. Prior to the 45-day comment period, the definition of appointment stated that the duties between post-retirement appointments for the same employer must be substantially different. Comments received during that comment period asked for clarification on what was meant by “substantially different.” As a result, CalPERS amended the proposed regulation to state that duties between post-retirement appointments for the same employer cannot overlap. Prohibiting overlapping duties between multiple post-retirement appointments with the same employer is intended to ensure that the employer does not circumvent the extension and exemption processes by appointing the retired person to a “new” post-retirement appointment performing the same duties.

Overlapping duties refer to specific duties that will be performed. For example, if an employer appoints a retired person with specific skills in contracts and negotiations to negotiate one bargaining contract and then appoints the same retired person to negotiate a different bargaining contract, those duties would be overlapping.

One commenter suggested to allow overlapping duties between post-retirement appointments for the same employer as long as there is a 12 month or longer break between post-retirement appointments. CalPERS did not adopt any suggested changes to the definition of appointment. CalPERS interprets the applicable statutes to mean a single post-retirement appointment utilizing the retired person’s skills to perform that specific work of limited duration for that specific employer. The suggested alternative does not limit how many post-retirement appointments the employer may initiate for the retired person or require any standards and criteria to be met to initiate a new post-retirement appointment with overlapping duties except for a 12 month or longer break. If the employer has a business need for the retired person to continue utilizing the specific skills to perform work in the post-retirement appointment, the employer must request an extension or exemption, as applicable, receive its governing body’s, and for exemptions, CalPERS’ approval, and meet all of the additional standards and criteria necessary to extend the post-retirement appointment. Allowing employers to initiate new post-retirement appointments with overlapping duties after a 12 month or longer break between post-retirement appointments would circumvent the extension and exemption processes as required by the proposed regulation.

### Extension and Exemption Process and Criteria

Thirteen commenters submitted comments related to the post-retirement appointment extension and exemption processes and criteria. Some comments stated the processes and criteria were too restrictive, while other comments stated they were not restrictive enough. One commenter stated that there were no standards to allow the Department of Human Resources to determine whether a certification is warranted and the criteria are vague in the absence of any standards. The commenter also stated that based on their reading of the proposed regulation, CalPERS has no discretion to impose its own standards for evaluating certifications. Furthermore, the commenter stated that for state post-retirement appointments, the Department of Human Resources certifies by memorandum its approval of extension and exemption requests and can potentially extend an appointment indefinitely without challenge or third-party evaluation.

Following the 45-day comment period, CalPERS added criteria requiring the employer's governing body to certify the reason the appointment needs to be extended and that a plan to transition the duties to a non-retired employee or another retired person is in place. For exemptions, CalPERS added criteria requiring the employer's governing body to certify the reasons the transition plan was unsuccessful or could not be implemented, another retired person could not perform the duties required, and a recruitment was unsuccessful or could not be completed. As a result, the criteria require the employer to provide a substantive response explaining its reasoning and show a good faith effort that it tried to transition the duties or complete a recruitment. CalPERS will be reviewing each exemption request to ensure the criteria are met, including the employer's explanation, and based on its review, CalPERS will determine whether the request is approved or denied.

Ten commenters stated that the 12-month time limit following the end of the second extension or last exemption is too restrictive and requested its removal. Adding a 12-month window to request an exemption was in response to the feedback received during the 45-day comment period stating that having to submit the request by the end date of the second extension or last exemption was too restrictive. The 12-month window is a balance between providing employers more flexibility on when they can submit the exemption request and providing a time limit for when the employer can no longer extend the post-retirement appointment, ensuring the post-retirement appointment cannot resume at any time.

Nine commenters proposed amendments that would automatically approve the exemption request if the Board did not take action within 60 days of receiving the request, as well as requiring the Board to approve the exemption if the applicable certifications are made and submitted. CalPERS is not adopting these proposed amendments. The 60-day time period starts when CalPERS receives all required records that include extension and exemption certifications, as applicable. While CalPERS is aware of the employers' needs to have timely review and approval of the exemption requests, including a clause for an automatic approval after 60 days and mandating that the Board approves the exemption request if the certifications are made and submitted would not be prudent and would circumvent CalPERS' review process. CalPERS will review each exemption request along with all documents submitted to ensure all criteria and process requirements are met. CalPERS has the authority to deny an exemption request if the criteria or process requirements are not met. In addition, a report of all approved exemptions will be presented to the Board at least annually. If a clause was added to automatically approve exemption requests after 60 days, the Board and public would not be able to distinguish between which exemptions were automatically approved and which were reviewed and approved by CalPERS. The employer is responsible for ensuring the exemption request includes all of the required certifications, the process is followed correctly, and the request is submitted timely to meet their own business need.

#### Collective Bargaining Agreements Clarification

One commenter raised a concern that a retired person working in a post-retirement appointment subject to the duration specified in a collective bargaining agreement, that retired person would not be eligible to serve in another post-retirement appointment with that same employer. The commenter suggested amending the proposed regulation to allow a retired person to serve in subsequent post-retirement appointments that are either subject to a different collective bargaining agreement or have no overlapping duties with any previous post-retirement appointment with the same employer. CalPERS is not adopting this proposed change. The

intent of the proposed regulation was for retired persons who serve in post-retirement appointments with durations provided by collective bargaining agreements to be a single post-retirement appointment for that particular employer, unless they had previously served in a post-retirement appointment under subdivision (a) of the proposed regulation for that same employer.

### **Temporary Upgrade Pay Appointments**

#### Clarification of “Position/Classification”

One commenter suggested changing the term “position/classification” to only “position” for clarity. The commenter stated that for some employers, “classification” is broad and could cover many positions. CalPERS is not adopting the proposed change. The term “position/classification” is consistent with the term used in paragraph (3) of subdivision (a) of section 571 of Title 2, California Code of Regulations. The use of “position/classification” acknowledges that employers are not uniform in the use of the terms “position” and “classification,” and some employers use those terms interchangeably.

### **Other Comments**

#### Consultant Cost Concerns

One commenter expressed concerns regarding potential increase in costs to employers by utilizing consultants instead of retired annuitants. The commenter suggested that at the federal level, retired federal employees are not allowed to work as retired annuitants and often get hired by private companies for their specialized skills and knowledge. Those retired federal employees then work as consultants for the federal government using their specialized skills and knowledge, increasing costs to the federal government.

While there may be retired persons who return to work for an employer as a consultant, there are rules in place to mitigate that occurrence. If a retired person works for an employer as a consultant and performs the same or similar work to the work the retired person performed as an active employee or work performed by an active employee of that employer, an employer-employee relationship may exist. As a result, the employment may be determined to be a working after retirement appointment and subject to the working after retirement restrictions, including this proposed regulation.

#### General Non-substantive Language Changes

One commenter provided non-substantive language changes. CalPERS is adopting in part the proposed changes. The proposed changes are reflected in redline in Attachment 1.

### **Budget and Fiscal Impacts**

The proposed regulatory action is technical. CalPERS does not anticipate that it will impose any direct budget or fiscal impacts to the State. CalPERS expects to absorb the administrative costs related to reviewing and approving exemption requests for post-retirement appointments within the existing budget and resources.

### **Benefits and Risks**

The proposed regulation is necessary to define “limited duration” employment. Adopting this proposed regulation would clarify the meaning of “limited duration” employment and provide

uniformity for CalPERS, its members, employers, and other stakeholders by ensuring consistent use of the term.

### **Attachments**

Attachment 1 – Text of Proposed Regulation

Attachment 2 – Public Comments Received During the 15-day Comment Period

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Renee Ostrander, Chief  
Employer Account Management Division

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Anthony Suine  
Deputy Executive Officer  
Customer Services & Support

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Marcie Frost  
Chief Executive Officer

## **Title 2. Administration**

### **Proposed Adoption of Section 574.1 of Article 4 of Subchapter 1 of Chapter 2 of Division 1 of Title 2 of the California Code of Regulations**

#### **§574.1 Definition of Limited Duration Employment**

(a) For purposes of clarifying Government Code sections 7522.56, 21224, and 21229, “limited duration” is defined as a limit of twenty-four consecutive months per appointment of a retired person in the employ of a CalPERS-covered public employer, regardless of how many months or hours in those months the retired person served in the appointment during that twenty-four consecutive month period.

(1) The first day the retired person serves any hours in the appointment or the effective date of this subdivision, whichever is later, shall be the appointment start date and initiates time counted towards the twenty-four consecutive month limit. Employment by a retired person prior to the effective date of this subdivision will not count towards the limit of twenty-four consecutive months.

(2) A CalPERS-covered public employer must notify CalPERS of an appointment end date not to exceed twenty-four consecutive months from the appointment start date and any changes to the appointment end date, including but not limited to the end date of an extension as prescribed in paragraph (3) of this subdivision and end date of an extension authorized under an exemption as prescribed in paragraph (6) of this subdivision.

(3) A CalPERS-covered public employer may extend the appointment no more than twice, up to twelve consecutive months per extension, beyond the limit of twenty-four consecutive months under paragraph (a) of this subdivision, if the applicable conditions below are met:

(A) The CalPERS-covered public employer’s governing body certifies by resolution at a public meeting each of the following:

- (i) The position title,
- (ii) The description of the duties to be performed during the extension,
- (iii) The reason the appointment needs to be extended,
- (iv) The reason the duties under subparagraph (ii) above cannot be performed by non-retired employees,
- (v) That a plan is in place to transition the duties under subparagraph (ii) above to non-retired employees or another retired person,
- (vi) The anticipated end date for the extension, and
- (vii) Its approval of the extension.

(B) (i) Except as otherwise provided in this paragraph, for an appointment with the state, the Department of Human Resources certifies by memorandum each of the items in subparagraph (A) above.

(ii) For an appointment with the California State University, the Trustees of the California State University certifies by resolution at a public meeting each of the items in subparagraph (A) above.

(iii) For an appointment with the legislature, the Senate Committee on Rules or the Assembly Rules Committee certifies by resolution at a public meeting each of the items in subparagraph (A) above.

(4) The first extension period under paragraph (3) of this subdivision starts the day after the end of the twenty-four consecutive month period under paragraph (a) of this subdivision and the second extension period under paragraph (3) of this subdivision starts the day after the end of the first extension period, thirty-six consecutive months from the appointment start date, regardless of whether or when the CalPERS-covered public employer extended the appointment and regardless of how many months or hours in those months the retired person served during either extension period. The retired person may not continue serving in the appointment beyond the end of the twenty-four consecutive month or thirty-six consecutive month periods described above until the CalPERS-covered public employer satisfies the applicable conditions as prescribed in paragraph (3) of this subdivision per extension.

(5) The CalPERS-covered public employer shall retain the records reflecting the certifications required in paragraph (3) of this subdivision for the position. The CalPERS-covered public employer shall provide this information to CalPERS during the exemption request process described in paragraph (6) of this subdivision and upon request during any future investigations or audits.

(6) If a CalPERS-covered public employer determines the appointment is needed beyond forty-eight consecutive months from the appointment start date, as calculated under paragraph (4) of this subdivision, the CalPERS-covered public employer may request one of two exemptions per appointment to the limit of two extensions prescribed in paragraph (3) of this subdivision by filing a written request with the board as prescribed below. The written request for an exemption must be received by CalPERS for review within twelve consecutive months following the end of the second extension period under paragraph (3). The board ~~shall~~will grant or deny the exemption request within 60 days of receiving the request, which must include records reflecting all of the certifications required in subparagraphs (B) and (C) below, as applicable. The retired person may not continue serving in the appointment beyond the end of the forty-eight consecutive month period or any subsequent twelve consecutive month period authorized under a previous board-approved exemption until the board approves an exemption for the appointment as prescribed below.

(A) A request for an exemption shall be either:

(i) For an exemption authorizing a continuous extension if the appointment does not exceed 120 hours per fiscal year, or

(ii) For an exemption authorizing an extension of twelve consecutive months, regardless of how many months or hours in those months the retired person served during that extension period. The date on which the exemption request is granted by the board or the first day following the end of the prior extension limit of twelve consecutive months for which the exemption request is granted by the

board, whichever is later, initiates time counted towards the subsequent extension limit of twelve consecutive months for the exemption. A CalPERS-covered public employer may request this exemption more than once, in accordance with the requirements of subparagraphs (B) and (C) below, as applicable. Any written exemption request for a subsequent extension of twelve consecutive months pursuant to this subparagraph must be received by CalPERS for review within twelve consecutive months following the end of the most recent extension limit of twelve consecutive months.

(B) The board will grant one of the exemptions described in subparagraph (A) above per appointment if the applicable conditions in this subparagraph and subparagraph (C) below are met. The CalPERS-covered public employer's governing body must certify by resolution at a public meeting each of the items in subparagraphs (i) through (viii) below, and CalPERS must receive records reflecting both those certifications and the certifications required in paragraph (3) of this subdivision for each prior extension approved pursuant to that paragraph, if applicable. The exemption may not be placed on a consent calendar.

- (i) The position title,
- (ii) The description of the duties to be performed,
- (iii) The reason the appointment needs to be extended,
- (iv) The reason the duties under subparagraph (ii) above cannot be performed by either non-retired persons or another retired person,
- (v) Either the reason a plan to transition one or more of the duties under subparagraph (ii) above to non-retired employees or another retired person was not successful or the reason that such a plan cannot be implemented,
- (vi) Either that the CalPERS-covered public employer completed a recruitment within the twelve consecutive months prior to the date of the exemption request for the duties under subparagraph (ii) above and was unable to fill the position with that recruitment or the reason that such a recruitment cannot be completed,
- (vii) The anticipated end date for an exemption, and
- (viii) Its approval of the exemption.

(C) (i) Except as otherwise provided in this paragraph, for an appointment with the state, the Department of Human Resources must certify by memorandum each of the items in subparagraph (B) above, and CalPERS must receive records reflecting both those certifications and the certifications required in paragraph (3) of this subdivision for each prior extension approved pursuant to that paragraph, if applicable.

- (ii) For an appointment with the California State University, the Trustees of the California State University must certify by resolution at a public meeting each of the items in subparagraph (B) above, and CalPERS must receive records reflecting both those certifications and the certifications required in paragraph (3) of this subdivision for each prior extension approved pursuant to that paragraph, if applicable. The exemption may not be placed on a consent calendar.

(iii) For an appointment with the legislature, the Senate Committee on Rules or the Assembly Rules Committee must certify by resolution at a public meeting each of the items in subparagraph (B) above, and CalPERS must receive records reflecting both those certifications and the certifications required in paragraph (3) of this subdivision for each prior extension approved pursuant to that paragraph, if applicable. The exemption may not be placed on a consent calendar.

(7) A report of the exemptions granted pursuant to paragraph (6) of this subdivision will be provided to the board annually and publicly available.

(8) For purposes of this subdivision, an appointment is defined as either:

(A) ~~a~~ post-retirement position under which no duties overlap with the duties of another post-retirement position subject to this regulation with the same CalPERS-covered public employer that the retired person performed after retirement, or

(B) ~~a~~ post-retirement position for a different CalPERS-covered public employer from any previous CalPERS-covered public employer the retired person performed duties for after retirement while in a position subject to this regulation.

(9) Retired persons and CalPERS-covered public employers in violation of this subdivision will be subject to Government Code sections 21202, 21220, and 7522.56, as applicable.

(b) For purposes of clarifying Government Code sections 7522.56, 21224, and 21229, if the terms of a collective bargaining agreement explicitly provide the duration of permissible employment for the retired person, then subdivision (a) shall not apply to the CalPERS-covered public employer and retired person subject to that collective bargaining agreement but shall instead be subject to "limited duration" defined in this subdivision. "Limited duration" is defined as the duration provided in the applicable collective bargaining agreement, not to exceed sixty consecutive months, for the post-retirement appointment of a retired person in the employ of a CalPERS-covered public employer. The appointment duration is consecutive regardless of how many months or hours in those months the retired person served in the appointment during that appointment duration.

(1) The first day the retired person serves any hours in the appointment shall be the appointment start date and initiates time counted towards the duration limit defined in the applicable collective bargaining agreement or sixty consecutive months, whichever is less.

(2) A CalPERS-covered public employer must notify CalPERS of an appointment end date not to exceed the duration defined in the applicable collective bargaining agreement or sixty consecutive months from the appointment start date, whichever is less, and provide CalPERS a copy of the applicable collective bargaining agreement specifying the duration of that post-retirement appointment.

(3) Notwithstanding paragraphs (1) and (2) of this subdivision, for post-retirement appointments in effect prior to the effective date of this subdivision, the appointment start and end dates shall be the start and end dates established in accordance with the collective bargaining agreement prior to the effective date of this subdivision.

(4) A retired person serving in a post-retirement appointment in accordance with this subdivision cannot serve in another post-retirement appointment with the same CalPERS-covered public employer subject to this regulation.

(5) Retired persons and CalPERS-covered public employers in violation of this subdivision will be subject to Government Code sections 21202, 21220, and 7522.56, as applicable.

(c) For purposes of clarifying paragraph (3) of subdivision (a) of section 571, "limited duration" is defined as a limit of twenty-four consecutive months for an employee to serve in an upgraded position/classification, regardless of how many months or hours in those months the employee served in the upgraded position/classification during that twenty-four consecutive month period.

(1) The first day the individual serves any hours in the upgraded position/classification or the effective date of this subdivision, whichever is later, initiates time counted towards the twenty-four consecutive month limit. Employment in an appointment to an upgraded position/classification prior to the effective date of this subdivision will not count towards the limit of twenty-four consecutive months.

(2) An individual may serve in the same upgraded position/classification more than once within the twenty-four consecutive month period but may not exceed a time period of twenty-four consecutive months. A new twenty-four consecutive month period is not initiated unless the conditions set forth in paragraph (3) of this subdivision are met.

(3) An individual may serve in the same upgraded position/classification more than once and initiate a new twenty-four consecutive month period if the appointment to the upgraded position/classification is:

(A) The individual's first appointment subsequent to a permanent appointment held by a different individual for the same upgraded position/classification, or

(B) The individual's first appointment subsequent to a different individual that retained the permanent appointment for the same upgraded position/classification ~~returning~~ who returned to the permanent appointment from an approved leave.

Authority Cited: Sections 7522.02(j) and 20121, Government Code.

Reference: Sections 7522.56, 20636, 20636.1, 21202, 21220, 21224, and 21229 Government Code; section 571 of Title 2, California Code of Regulations.

## **Title 2. Administration**

### **Proposed Adoption of Section 574.1 of Article 4 of Subchapter 1 of Chapter 2 of Division 1 of Title 2 of the California Code of Regulations**

#### **§574.1 Definition of Limited Duration Employment**

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(2) A CalPERS-covered public employer must notify CalPERS of an appointment end date not to exceed twenty-four consecutive months from the appointment start date and any changes to the appointment end date, including but not limited to the end date of an extension as prescribed in paragraph (3) of this subdivision and end date of an extension authorized under an exemption as prescribed in paragraph (6) of this subdivision.

(3) A CalPERS-covered public employer may extend the appointment no more than twice, up to twelve consecutive months per extension, beyond the limit of twenty-four consecutive months under paragraph (a) of this subdivision, if the applicable conditions below are met:

(A) The CalPERS-covered public employer’s governing body certifies by resolution at a public meeting each of the following:

- (i) The position title,
- (ii) The description of the duties to be performed during the extension,
- (iii) The reason the appointment needs to be extended,
- (iv) The reason the duties under subparagraph (ii) above cannot be performed by non-retired employees,
- (v) That a plan is in place to transition the duties under subparagraph (ii) above to non-retired employees or another retired person,
- (vi) The anticipated end date for the extension, and
- (vii) Its approval of the extension.

(B) (i) Except as otherwise provided in this paragraph, for an appointment with the state, the Department of Human Resources certifies by memorandum each of the items in subparagraph (A) above.

(ii) For an appointment with the California State University, the Trustees of the California State University certifies by resolution at a public meeting each of the items in subparagraph (A) above.

(iii) For an appointment with the legislature, the Senate Committee on Rules or the Assembly Rules Committee certifies by resolution at a public meeting each of the items in subparagraph (A) above.

(4) The first extension period under paragraph (3) of this subdivision starts the day after the end of the twenty-four consecutive month period under paragraph (a) of this subdivision and the second extension period under paragraph (3) of this subdivision starts the day after the end of the first extension period, thirty-six consecutive months from the appointment start date, regardless of whether or when the CalPERS-covered public employer extended the appointment and regardless of how many months or hours in those months the retired person served during either extension period. The retired person may not continue serving in the appointment beyond the end of the twenty-four consecutive month or thirty-six consecutive month periods described above until the CalPERS-covered public employer satisfies the applicable conditions as prescribed in paragraph (3) of this subdivision per extension.

(5) The CalPERS-covered public employer shall retain the records reflecting the certifications required in paragraph (3) of this subdivision for the position. The CalPERS-covered public employer shall provide this information to CalPERS during the exemption request process described in paragraph (6) of this subdivision and upon request during any future investigations or audits.

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- (iii) The reason the appointment needs to be extended,
- (iv) The reason the duties under subparagraph (ii) above cannot be performed by either non-retired persons or another retired person,
- (v) Either the reason a plan to transition one or more of the duties under subparagraph (ii) above to non-retired employees or another retired person was not successful or the reason that such a plan cannot be implemented,
- (vi) Either that the CalPERS-covered public employer completed a recruitment within the twelve consecutive months prior to the date of the exemption request for the duties under subparagraph (ii) above and was unable to fill the position with that recruitment or the reason that such a recruitment cannot be completed,
- (vii) The anticipated end date for an exemption, and
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(C) (i) Except as otherwise provided in this paragraph, for an appointment with the state, the Department of Human Resources must certify by memorandum each of the items in subparagraph (B) above, and CalPERS must receive records reflecting both those certifications and the certifications required in paragraph (3) of this subdivision for each prior extension approved pursuant to that paragraph, if applicable.

- (ii) For an appointment with the California State University, the Trustees of the California State University must certify by resolution at a public meeting each of the items in subparagraph (B) above, and CalPERS must receive records reflecting both those certifications and the certifications required in paragraph (3) of this subdivision for each prior extension approved pursuant to that paragraph, if applicable. The exemption may not be placed on a consent calendar.

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(7) A report of the exemptions granted pursuant to paragraph (6) of this subdivision will be provided to the board annually and publicly available.

(8) For purposes of this subdivision, an appointment is defined as either:

(A) ~~a~~ post-retirement position under which no duties overlap with the duties of another post-retirement position subject to this regulation with the same CalPERS-covered public employer that the retired person performed after retirement, or

(B) ~~a~~ post-retirement position for a different CalPERS-covered public employer from any previous CalPERS-covered public employer the retired person performed duties for after retirement while in a position subject to this regulation.

(9) Retired persons and CalPERS-covered public employers in violation of this subdivision will be subject to Government Code sections 21202, 21220, and 7522.56, as applicable.

(b) For purposes of clarifying Government Code sections 7522.56, 21224, and 21229, if the terms of a collective bargaining agreement explicitly provide the duration of permissible employment for the retired person, then subdivision (a) shall not apply to the CalPERS-covered public employer and retired person subject to that collective bargaining agreement but shall instead be subject to "limited duration" defined in this subdivision. "Limited duration" is defined as the duration provided in the applicable collective bargaining agreement, not to exceed sixty consecutive months, for the post-retirement appointment of a retired person in the employ of a CalPERS-covered public employer. The appointment duration is consecutive regardless of how many months or hours in those months the retired person served in the appointment during that appointment duration.

(1) The first day the retired person serves any hours in the appointment shall be the appointment start date and initiates time counted towards the duration limit defined in the applicable collective bargaining agreement or sixty consecutive months, whichever is less.

(2) A CalPERS-covered public employer must notify CalPERS of an appointment end date not to exceed the duration defined in the applicable collective bargaining agreement or sixty consecutive months from the appointment start date, whichever is less, and provide CalPERS a copy of the applicable collective bargaining agreement specifying the duration of that post-retirement appointment.

(3) Notwithstanding paragraphs (1) and (2) of this subdivision, for post-retirement appointments in effect prior to the effective date of this subdivision, the appointment start and end dates shall be the start and end dates established in accordance with the collective bargaining agreement prior to the effective date of this subdivision.

(4) A retired person serving in a post-retirement appointment in accordance with this subdivision cannot serve in another post-retirement appointment with the same CalPERS-covered public employer subject to this regulation.

(5) Retired persons and CalPERS-covered public employers in violation of this subdivision will be subject to Government Code sections 21202, 21220, and 7522.56, as applicable.

(c) For purposes of clarifying paragraph (3) of subdivision (a) of section 571, "limited duration" is defined as a limit of twenty-four consecutive months for an employee to serve in an upgraded position/classification, regardless of how many months or hours in those months the employee served in the upgraded position/classification during that twenty-four consecutive month period.

(1) The first day the individual serves any hours in the upgraded position/classification or the effective date of this subdivision, whichever is later, initiates time counted towards the twenty-four consecutive month limit. Employment in an appointment to an upgraded position/classification prior to the effective date of this subdivision will not count towards the limit of twenty-four consecutive months.

(2) An individual may serve in the same upgraded position/classification more than once within the twenty-four consecutive month period but may not exceed a time period of twenty-four consecutive months. A new twenty-four consecutive month period is not initiated unless the conditions set forth in paragraph (3) of this subdivision are met.

(3) An individual may serve in the same upgraded position/classification more than once and initiate a new twenty-four consecutive month period if the appointment to the upgraded position/classification is:

(A) The individual's first appointment subsequent to a permanent appointment held by a different individual for the same upgraded position/classification, or

(B) The individual's first appointment subsequent to a different individual that retained the permanent appointment for the same upgraded position/classification ~~returning~~ who returned to the permanent appointment from an approved leave.

Authority Cited: Sections 7522.02(j) and 20121, Government Code.

Reference: Sections 7522.56, 20636, 20636.1, 21202, 21220, 21224, and 21229 Government Code; section 571 of Title 2, California Code of Regulations.



August 14, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert Griffin

FROM: Kimberly D. Hines   
Senior Internal Auditor

FOR: August 31, 2023 Audit Committee Meeting

SUBJECT: **LACERA's Rehired Retiree Program - Fiscal Year Ended June 30, 2022**

### **RECOMMENDATION**

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

1. Accept and file report,
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.

### **ENGAGEMENT REPORT**

LACERA's Rehired Retiree Program – Fiscal Year Ended June 30, 2022  
(Report Issued: July 31, 2023)

Attachment

Noted and Reviewed:



Richard P. Bendall  
Chief Audit Executive



**LACERA INTERNAL AUDIT DIVISION**

**LACERA's Rehired Retiree Program  
Fiscal Year Ended June 30, 2022**

**AUDIT PERFORMED BY:**

**Kimberly D. Hines, CPA**  
Senior Internal Auditor

July 31, 2023

## **AUDIT REPORT**

<b>Audit Name:</b>	LACERA's Rehired Retiree Program FYE June 30, 2022
<b>Responsible Division:</b>	Human Resources
<b>Audit Rating*:</b>	Unsatisfactory
<b>Prior Audit Rating*:</b>	Unsatisfactory
<b>Prior Report Date:</b>	August 8, 2022

### **BACKGROUND**

The State of California's County Employees Retirement Law of 1937 (CERL) and Public Employees' Pension Reform Act of 2013 (PEPRA) provides that LACERA has the option to employ retirees as "Rehired Retirees" subject to certain requirements. Under Government Code Section 31680.6 of CERL and Section 7522.56, Rehired Retirees may work up to 960 hours per fiscal year, on a temporary basis, without affecting their retirement status or benefits. Retirees may not return to service under a "contract directly" with the agency; retirees may be employed by a third-party vendor under a bona fide independent contract with LACERA and provide service under that third party contract provided there are no indicia that the arrangement is intended to circumvent the CERL and PEPRA provisions relating to Rehired Retirees.

In addition, Internal Revenue Service (IRS) regulations require a "bona fide" break in service after retirement if the retiree is under the "normal retirement age," before the retiree can be rehired. To comply with the IRS regulation, LACERA's Board of Retirement adopted a resolution in 2006 stating that a member under the "normal retirement age" may not return to temporary County service within 90 days of his or her retirement date. All Rehired Retirees under their "normal retirement age" must comply with at least the 90-day break in service requirement, as well as the requirements of PEPRA. Retirees under normal retirement age also may not have a prearrangement to return to service after their retirement.

"Normal retirement age," as defined by LACERA's Board of Retirement, is as follows:

- Age 57 for general members of Plan A, B, C, D, or G
- Age 65 for general members of Plan E
- Age 55 for safety members

PEPRA added additional restrictions for Rehired Retirees regarding break in service. PEPRA requires 180 continuous days separation from the date of retirement before a retiree may be rehired. PEPRA does allow the following two limited exceptions to the 180-day requirement:

- If the employer can certify it is necessary to fill a critically needed position and the hiring has been approved by the Board of Supervisors (or the Board of Retirement, for LACERA positions) in an open meeting
- If the retiree is a public safety officer or firefighter

Those who are eligible for the PEPRA 180-day break-in-service exceptions still must comply with the IRS's "bona fide" break-in-service of 90 days if under normal retirement age. In the event of a conflict between the CERL and PEPRA provisions, PEPRA's requirements take precedence over CERL.

\* See Appendix 1 for Audit Rating

PEPRA section 7522.56 (c) provides that appointing employers may only rehire retirees either during an emergency to prevent stoppage of public business or because the rehired person has skills needed to perform work of "limited duration."

In the past, LACERA's Internal Audit Division (Internal Audit) audited compliance with the above requirements as part of the countywide "Rehired Retiree Audit." This audit tested 100% of rehired retirees throughout the County, including those employed by LACERA. In November 2020, LACERA's Board of Retirement adopted LACERA's "Post Retirement Employment Policy" (2020 Policy). Starting with Fiscal Year (FY) 2020-2021, Internal Audit performed this audit specific to LACERA's 2020 Rehired Retiree Policy. We perform this audit annually as failure to adhere to the regulations and requirements not only may violate the state law governing retirement benefits, but it could also jeopardize the qualified tax deferred status of LACERA under federal tax law.

On July 6, 2023, the Board of Retirement approved a revised and restated "Post Retirement Employment Policy" (2023 Policy) (**See Attachment A**) effective on that date. This audit does not address compliance with the 2023 Policy because it was not in effect during the period of the audit. However, Internal Audit recognizes that the 2023 Policy should assist in compliance with CERL and PEPRA for FY 2023-2024. We highlight in this report all areas that have been addressed and potentially cured by this new policy. However, our final determination will be made through our recommendation follow-up process and future audit(s).

## **AUDIT OBJECTIVE & SCOPE**

We developed the following objectives for our review of LACERA's rehired retiree program:

1. Assess organizational compliance to LACERA's 2020 "Post Retirement Employment Policy."
2. Assess Human Resources (HR) compliance to their draft divisional procedures, "Policies and Procedures Guide (PPG) 102, 120-Day or 960 hours Retiree Rehire Procedures" (Draft HR Procedure).

The scope of this engagement covered the Fiscal Year 2021-2022 and the five retirees that LACERA hired during that period.

## **AUDIT RATING & SUMMARY OF FINDINGS**

Due to our delay in completing the audit for the prior Fiscal Year (FYE June 30, 2021), our audit report for that year was not issued until after the year covered by this current audit (FYE June 30, 2022) had already concluded. We recognize that LACERA management and Board of Retirement have been proactive in addressing the recommendations of that prior audit, most notably culminating in the approval by the BOR at the June, 2023 meeting of the revised "Post Retirement Employment Policy" (2023 Board Policy). We are confident that these actions will affect improvement in our audit results beginning with the next audit for FYE June 30, 2023.

While the results of this audit remain consistent with the prior year (**Unsatisfactory**), LACERA management was successful in ensuring that there were no rehired retirees that exceeded the 960-hour limit. However, as stated above, the findings continue to support material non-compliance with LACERA's 2020 Board Policy, the Draft HR Procedure and the associated laws governing the rehiring of retirees. Specifically, we noted noncompliance with many

elements of the 2020 Policy and procedures, including one retiree that was overpaid. We also noted the continued need for the 2020 Policy to be more prescriptive regarding limited duration. This issue was addressed in the 2023 Policy.

<b>Finding #</b>	<b>Page</b>	<b>Description of Finding</b>	<b>Risk Rating**</b>
F1	5	Continued Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	High
F2	8	Continued Lack of Specific Limits in Defining Limited Duration	High

Each of the above Findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We would like to thank Human Resources staff and management for their cooperation with this audit.

**REVIEWED AND APPROVED**



**Date:** July 26, 2023

Richard P. Bendall  
Chief Audit Executive

**REPORT DISTRIBUTION**

2023 Audit Committee	Santos H. Kreimann, CEO	Steve Rice Chief Legal Counsel
Plante Moran Audit Team	Luis Lugo, DCEO	Carly Ntoya, Director of Human Resources
Robert H. Griffin Audit Committee Consultant	Laura Guglielmo, AEO	
Internal Audit Group	J.J. Popowich, AEO	

\*\* See Appendix 2 for Finding's Risk Rating

## **FINDING # 1**

### **Continued Lack of Compliance in the Administration of The Rehired Retiree Program**

**Risk Level\*\***  
High

## **OBSERVATION**

LACERA's 2020 "Post Employment Retirement Policy" (2020 Policy) charges the Human Resources Division (HR) with the responsibility for administering and monitoring compliance with the rehired retiree program at LACERA. Section 7.3, titled "Monitoring" states, "The Human Resources Division is responsible for monitoring and tracking compliance with the requirements as set forth in this Policy."

To aid in their administration of the program, HR developed their "120 Day or 960 Hours Retiree Rehire Procedures". The Draft HR Procedure requires that management complete a "Request for Employment of Retiree 960 Hour Temporary Assignment," (960 Request Form) which is the initiating, and the final approval form for the rehiring of a retiree. HR and the Executive Office Management must review and approve the 960 Request Form with signature and date. The HR Procedures requires eight supporting documents along with the approved 960 Request Form that should be included in the personnel file. Examples include the Oath Card, Duty Statement and Offer Letter.

In reviewing the documentation supporting the five LACERA rehired retirees for the Fiscal Year 2021-22, we again determined lack of compliance with the 2020 Policy and Draft HR Procedure. Specifically, we noted the following exceptions:

1. All five rehired retirees had one or more missing required documents from their personnel file. This included the following: (5) Duty Statements, (4) Offer Letters, (2) Oath Cards, (2) I-9 forms and (1) Personnel Requisition form.
2. Documents contained missing required signature approvals and approval dates. We noted this in five instances related to the following documents: (3) Waivers, (1) Personnel Requisition Form and (1) 960 Request Form.
3. Four retirees started working before they were approved to start. The signatures on the 960 Request Forms were obtained up to 3 months following the start of the rehired retiree's employment.
4. Four retirees worked outside the period they were approved to work. An example of this is that the approval period on the retirees 960 Request Form included six months but the rehired retiree worked the entire year.
5. We identified one rehired retiree whose rate of pay exceeded the pay scale for staff that perform comparable duties. We also noted that the overpayment has not been collected and the retiree is no longer employed with LACERA. The retiree has been informed of the overpayment and has acknowledged the requirement to repay LACERA.

## **RISK**

Noncompliance with policies and procedures, which are a good operational governance practice, renders them ineffective as a control to ensure compliance with laws and protect LACERA's qualified plan tax status.

\*\* See Appendix 2 for Finding's Risk Rating

## **BACKGROUND**

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Recommendations the same as, or similar, to those on our previous audit report of August 8, 2022:

1. LACERA's Executive Office and HR should meet and confer around the expectations for compliance with the new 2023 Post Employment Rehired Retiree Policy. HR should finalize the Draft HR Procedure accordingly.
2. HR Management ensure that all required forms are accurate and complete and include all the appropriate approvals. In addition, ensure that all required documentation is obtained each fiscal year prior to the rehired retiree beginning work.
3. HR Management ensure that missing documents identified in this audit are obtained when feasible for the rehired retirees that worked in FY 2021-2022.

New recommendations:

4. HR Management monitor compliance with the new 2023 Policy to ensure that rehired retirees only work the period approved to work.
5. HR Management ensure that rehired retirees are compensated at the rate of pay that is commensurate with what LACERA pays to staff performing comparable duties.
6. For the overpayment identified, calculate the total amount overpaid and facilitate the collection of the overpayment.

## **MANAGEMENT'S RESPONSE**

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Management agrees with the recommendations.

The Board of Retirement recently approved the revised Rehired Retirees policy and HR is in the process of drafting the complementary internal procedures. These procedures will include the complete review of the forms and ensure proper and thorough documentation. HR Management will also implement protocols to monitor the process to ensure all required forms are accurate and complete that rehired retirees are paid at the correct rate and for the approved work period. HR will obtain the missing documents for rehired retirees for FY 2021-2022 or document the reason for those they are not able to obtain.

Management agrees that the individual hiring manager has responsibility for the compliance with the approved policy, including ensuring that rehired employees do not work without prior approval per the policy, the employee does not work outside of the approved time period and the hours. Management has committed to educating managers through the MAC and SAC teams and will continue to remind managers periodically of the need for compliance.

HR Management agrees they have the responsibility to ensure that the rehired retirees only work the period authorized to work, adherence to the approval process, and to ensure that the rehired employee is paid in accordance with the policy. HR will continue its efforts to monitor and communicate to the hiring manager and the employee throughout the agreed upon time-period. It is understood this is a monitoring and reporting compliance duty.

With respect to recommendation number 6, HR will calculate the amount of overpayment and work with the Member Operations Group to notify the individual to arrange for a timely repayment.

**TARGET COMPLETION DATE**

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August 31, 2023

## FINDING # 2

**Continued Lack of Specific Limits in defining "limited duration"**

**Risk Level\*\***

High

### OBSERVATION

LACERA'S 2020 Policy section "Legal Requirements for the Hiring of Retiree," section 6.4 titled "Limited Duration" states: "Limited duration is based on a cases-by case basis, but it is expected to be the minimum period required to complete the work. The employment should terminate when the limited-duration work is completed."

Furthermore, LACERA's 2020 Policy, section 7.1 titled "Requests," states "Managers are required to submit requests to hire retired annuitants to a 960-hour temporary assignment using the Request for Employment of Retiree to a 960 Hour Temporary Assignment (the "Request"). The Request must include a description of the project, an explanation as to why the work cannot be performed by a current staff member, the retired annuitants' skills and abilities and a description of the plan to complete the retiree's work or transition it to a current staff member, and the expected limited duration of the work."

As indicated above and communicated in the Fiscal Year 2020-2021 audit of LACERA's Rehired Retirees, LACERA's 2020 Policy did not define specific limitations around limited duration but rather takes more of a principled approach. We found from our limited survey of other funds that this is not unusual among peer 37 Act and other public pension systems in California. However, we found two systems, San Bernadino CERA<sup>1</sup> and Sacramento CERS<sup>2</sup>, whose policies were more prescriptive by including specific limits related to duration.

A 2021 audit<sup>3</sup> by CALPERS' Internal Audit team uncovered substantial non-compliance in the plan sponsors' reporting of rehired retirees to CALPERS. The audit also disclosed rehired retirees that exceeded what might reasonably be considered limited duration in the number of years worked as a retiree. An article in the *Sacramento Bee*<sup>4</sup> highlights this audit and the resulting "double dipping." CALPERS is currently proposing a much more prescriptive policy<sup>5</sup> which includes specific limits regarding limited duration. LACERA's new 2023 Policy addresses this issue.

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\*\* See Appendix 2 for Finding's Risk Rating

<sup>1</sup> San Bernadino County Employees Retirement Association. (2014). *Policy 015 - Retirees Returning to Work*.

<sup>2</sup> Sacramento County Employees Retirement System. (2020). *Policy 011 – Post-Retirement Employment Policy*.

<sup>3</sup> *Review of Broadmoor Police Protection District*. CalPERS Office of Audit Services. Dec. 2021, [https://www.broadmoorpolice.com/wp-content/uploads/2021/12/calpers\\_audit\\_2021.pdf](https://www.broadmoorpolice.com/wp-content/uploads/2021/12/calpers_audit_2021.pdf). Accessed 7 Jun. 2022

<sup>4</sup> Ryan Frost. "Re: CalPERS Audit Finds History of Pension Spiking in Broadmoor Police department." *Reason Foundation*, 30 Dec. 2021, <https://reason.org/commentary/calpers-audit-finds-history-of-fraud-and-pension-spiking-in-broadmoor-police-department/>. Accessed 7 Jun. 2022.

<sup>5</sup> Proposed Adoption of Section 574.1 of Article 4 of Subchapter 1 of Chapter 2 of Division 1 of Title 2 of the California Code of Regulations. California Public Employees' Retirement System. Dec. 2021, [https://www.calpers.ca.gov/docs/board-agendas/202204/pension/item-6a-attach\\_a.pdf](https://www.calpers.ca.gov/docs/board-agendas/202204/pension/item-6a-attach_a.pdf). Accessed 7 Jun. 2022.

Our test work identified two rehired retirees with Request forms that did not include an explanation as to why the work could not be performed by current staff and did not describe a workplan of a limited duration with steps to be taken to complete the project or transition the work to a permanent staff member. Rather the Request forms, included language indicating the critical nature of the projects and how critical these retirees are to the success of the operation.

One of the two retirees mentioned above is the same retiree that was found in the prior year, Fiscal Year 2020-2021, audit that had worked as a rehired retiree for 16 years and has done so since retiring as the Division Manager of the Division for which the retiree is now working.

This situation raises concerns under PEPRA section 7522.56 (c) where it states, "A person who retires from a public employer may serve without reinstatement from retirement or loss or interruption of benefits provided by the retirement system upon appointment by the appointing power of a public employer either during an emergency to prevent stoppage of public business or because the retired person has skills needed to perform work of limited duration." LACERA, as benefit trust fund administrator, should consider appropriate and lawful processes and methods of preventing and addressing work in excess of limited duration.

## **RISK**

This exposes LACERA to headline risk regarding the lack of compliance with PEPRA laws around the rehiring of retirees and gives the appearance of "double dipping." It also highlights a lack of succession planning and demonstrates continued reliance on the rehired retiree to avert an implied significant risk of business disruption in their absence.

## **RECOMMENDATION # 2**

Recommendations the same as, or similar, to those on our previous audit report of August 8, 2022:

7. LACERA Executive Management should develop a more prescriptive policy around the rehiring of retirees which includes specific limits around the matter of limited duration.
8. LACERA Executive Management should develop an expedited plan to transition from the retiree to permanent staff and report that plan to the Board of Retirement.

9. HR Management should ensure that each request to hire is appropriately documented to include:
- An explanation as to why the work cannot be performed by a current staff member.
  - A description of the plan to complete the retiree's work or transition it to a current staff member.
  - The expected limited duration of the work.

New recommendation:

10. In the case that supports the need to deviate from the policy, HR Management should ensure that, at a minimum, the justification is documented and approved by the CEO on the Request.

### **MANAGEMENT'S RESPONSE**

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Management agrees with the recommendations.

The Board of Retirement adopted a revised Rehired Retiree Policy in July 2023, that addresses the issue of limited duration and outlines a transparent process and circumstances for deviation from the standard protocols. The request form requires documentation of the justification for the use of the retiree, the plan to transition the work to LACERA staff or complete a project, and the estimated duration of the work. Board of Retirement approval is required for all retiree work beyond two fiscal years based on a supporting memo from the Executive Office demonstrating exceptional circumstances. Management believes that the 2023 revised policy addresses the recommendations of this report.

### **TARGET COMPLETION DATE**

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Completed

**Note: Internal Audit will include all recommendations, including those indicated by management as already implemented (completed), in our Recommendation Follow-Up process and report our validation of completion on each recommendation to the Audit Committee before they are accepted as completed.**

## **APPENDIX 1 AUDIT RATING SCALE**

Internal Audit issues three standard audit report evaluations as defined below:

### **Satisfactory**

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

### **Opportunities for Improvement**

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

### **Unsatisfactory**

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

**APPENDIX 2  
FINDING'S RISK RATING SCALE**

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

<b>Rating</b>	<b>Financial</b>	<b>Internal Controls</b>	<b>Compliance</b>	<b>Reputational</b>	<b>Executive Management</b>
<b>High</b>	<p>Large financial impact to LACERA or members</p> <p>Actions not aligned with fiduciary responsibilities</p>	<p>Missing or inadequate key internal controls</p> <p>Not adequate to identify fraud, noncompliance or misappropriation</p>	<p>Noncompliance with applicable Federal or state laws or LACERA's policies</p>	<p>High probability for external audit issues and/or negative public perception</p>	<p>Important critical business process identified by Exec Office</p> <p>Requires immediate attention</p>
<b>Medium</b>	<p>Moderate financial risk to LACERA or members</p> <p>Actions could be better aligned with fiduciary responsibilities</p>	<p>Partial key internal controls</p> <p>Not adequate to identify noncompliance or misappropriation in timely manner</p>	<p>Inconsistent compliance with applicable Federal or state laws or LACERA's policies</p>	<p>Potential for external audit issues and/or negative public perception</p>	<p>Relatively important</p> <p>May or may not require immediate attention</p>
<b>Low</b>	<p>Low financial impact to LACERA or members</p>	<p>Internal controls in place but not consistently efficient/effective</p> <p>Implementing / enhancing controls could prevent future problems</p>	<p>General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist</p>	<p>Low probability for external audit issues and/or negative public perception</p>	<p>Lower significance</p> <p>Does not require immediate attention</p>



**POST RETIREMENT EMPLOYMENT POLICY**

**Authorizing Manager:** Director of Human Resources

**Effective Date:** July 7, 2023

**Last Updated:** November 4, 2020

**Mandatory Review:** July 2026 (Every Three Years)

**Policy Type:** Board

**Approval Level:** Board of Retirement

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**1. PURPOSE**

The purpose of the Post Retirement Employment Policy (“Policy”) is to set forth the legal requirements for LACERA’s employment of or acceptance of contract work from members who have retired from any participating employers in LACERA and are receiving a pension from LACERA (referred to as “retired annuitants”). The goals of this Policy are to:

- Comply with relevant state and federal laws and other plan documents for the rehiring of retired annuitants and the use of retired annuitants by bona fide independent contractors while receiving a retirement benefit from LACERA;
- State the requirements for retired annuitants to (1) be rehired by LACERA for a limited duration, (2) be rehired by LACERA for emergency circumstances to prevent stoppage of LACERA business, or (3) work as the employee of a vendor under the vendor’s bona fide independent contract with LACERA, and establish a request, approval, and monitoring process for each of these three methods; and
- Establish a process to address violations of the Policy.

**2. SCOPE**

This Policy applies to LACERA’s hiring of retired annuitants from any participating employer in LACERA or acceptance of services from retired annuitants to meet business needs in accordance with California Government Code Sections 31680, 31680.2, 31680.6, and 7522.56, the Internal Revenue Code and IRS regulations, and LACERA’s Board of Retirement Regulations. This Policy does not apply to employment of retirees or other acceptance of services from retirees by the County of Los Angeles or other participating employers.

To the extent that state law or federal law provides for additional restrictions or conflicts with this Policy, the law shall prevail over this Policy.

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### **3. LEGAL AUTHORITY**

This Policy is adopted pursuant to the Board of Retirement's plenary authority and exclusive fiduciary responsibility for administration of the system (Cal. Const., art. XVI sec 17) to facilitate LACERA's compliance with Sections 31680, 31680.2, and 31680.6 of the County Employees Retirement Law of 1937 (CERL), Section 7522.56 of the Public Employees' Pension Reform Act of 2013 (PEPRA), and other applicable law and LACERA governing documents and policy.

### **4. DEFINITIONS**

**4.1 960 hours** means 960 hours or equivalent limit of worked time and refers to the maximum permitted number of hours per fiscal year of all work performed by a retired annuitant rehired by LACERA and other participating employers as described in Section 6 of this Policy.

**4.2 Normal Retirement Age** is the age determined according to California Government Code Section 31485.21 of CERL, Internal Revenue Code Section 401(a), and Board of Retirement Regulation XV, which for LACERA members is currently:

Age 57 for general members of Plan A, B, C, D, or G

Age 65 for general members of Plan E

Age 55 for safety members

**4.3 Participating employers** refers to those agencies that participate in LACERA: the County of Los Angeles, LACERA, Los Angeles County Superior Court, Local Agency Formation Commission for the County of Los Angeles, Los Angeles County Office of Education, and South Coast Air Quality Management District.

**4.4 Retired annuitant** means a retiree from any participating employer in LACERA rehired as an at-will employee by LACERA without reinstatement from retirement or working under a vendor's bona fide independent contract with LACERA. Retired annuitants do not accrue service credit or otherwise acquire any additional retirement benefits as a result of work performed under this Policy.

### **5. POLICY STATEMENT**

Under Government Code Section 31680, 31680.2, and 31680.6, retired annuitants may be approved to be rehired by LACERA for no more than 960 hours per fiscal year, on a temporary basis, without affecting their retirement status or benefits. Section 31680(b) provides, in pertinent part, that "services rendered . . . shall not refer to services performed by a retired officer or employee as an independent contractor engaged by a county or district under a bona fide contract for services within the purview of Section 31000 of this code."

## POST RETIREMENT EMPLOYMENT POLICY

July 7, 2023

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California Government Code Section 7522.56 adds additional restrictions on the ability of a retired annuitant to work for an employer in a retirement system while also collecting a pension from that system. Section 7522.56 provides that a retired annuitant may be approved to be rehired by LACERA at will on a temporary basis while continuing to receive retirement benefits under the following circumstances:

- LACERA determines that the retired annuitant has skills based on their prior job classification needed to perform work of limited duration; or
- LACERA determines it is necessary to hire the retired annuitant during an emergency to prevent stoppage of LACERA's public business.

A retired annuitant returning for either of these two reasons shall not be eligible to be employed pursuant to this policy for a period of 180 days following the date of retirement unless the Board of Retirement determines the appointment is necessary to fill a critically needed position before 180 days have passed, in which case a break in service requirement of 90 days shall still apply if the retired annuitant is under Normal Retirement Age.<sup>1</sup>

Unlike Section 31680, Section 7522.56 does not address independent contractors directly. However, Section 7522.56's prohibitions apply only to retiree annuitants who "serve," are "employed by," or who are "employed through a contract directly by," the same public retirement system from which the retiree receives a benefit. LACERA interprets Section 7522.56 consistent with Section 31680, so as to exempt retiree annuitants who work for LACERA as an independent contractor engaged by LACERA under a bona fide independent contract for services within the purview of LACERA's authority, provided, however, that such contract must comply with the terms of this Policy.

Failure of a retired annuitant to comply with applicable law and this Policy in connection with their post retirement employment, including rehire by LACERA or contract work, may have adverse consequences on their retirement and benefits as described in this Policy.

This entire Policy must be read as a whole to understand all its requirements and other provisions.

### **6. REHIRE FOR 960 HOUR TEMPORARY ASSIGNMENTS**

#### **6.1 Rehire When the Retired Annuitant has Special Skills to Perform Work of Limited Duration**

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<sup>1</sup> The 180 day waiting period does not apply to a public safety officer or firefighter hired to perform a function or functions performed by a public safety officer or firefighter. However, the 90-day break in service may still apply. LACERA does not expect to hire such retired annuitants for such work.

Subject to this section and the common requirements stated in Section 6.3 and completion of the request and approval process described in Section 6.4, retired annuitants may be rehired by LACERA without affecting their retirement status or benefits when they have special skills based on their prior job classification to perform work of limited duration. Assignments under this section shall be terminated upon completion of the work of limited duration for which they were rehired.

**6.1.1 Special Skills** means a demonstrated ability, based on the retired annuitant's prior job classification and work history, to perform the work for which the retired annuitant is being rehired at a high level without additional training and that cannot be performed by existing permanent staff members.

**6.1.2 Limited duration** is determined on a case-by-case basis subject to the limits in this subsection, but it is always expected to be the minimum period required to complete necessary work. The services must terminate when the limited-duration work is completed. Examples of necessary work of limited duration include but are not limited to the following circumstances: alleviating a backlog, working on a special project where the retired annuitant has special knowledge and skills, and transferring specialized knowledge and skills to permanent staff members. Limited-duration work must be necessary work in excess of what existing staff members are able and available to perform but that cannot be postponed until staff members are able and available.

Limited-duration work may be approved annually by the Executive Office for work totaling a maximum of two fiscal years. The Board of Retirement has the authority to approve additional work beyond two fiscal years; such approval must be given on an annual basis upon a finding by the Board of exceptional circumstances to meet a critical LACERA need. Exceptional circumstances require a memo of explanation from the Executive Office to the Board of the critical need that supports the retired annuitant's continued employment, why the transition of knowledge and planned work was not completed during previously approved periods, why permanent staff cannot meet the critical need, and a plan for completing the transition and work in the additional requested year. The years permitted under this subsection need not be continuous.

**6.2 Rehire Necessary During an Emergency**

Subject to this section and the common requirements stated in Section 6.3 and completion of the request and approval process described in Section 6.4, retired annuitants may be rehired by LACERA without affecting their retirement status or benefits when necessary during an emergency to prevent stoppage of LACERA's public business. Assignments under this section shall be

terminated when the retired annuitant's work to address the threat of stoppage of public business is completed.

An emergency means urgent and unforeseen circumstances outside those arising in the normal course of LACERA's business. To provide cause for rehire of a rehired annuitant under this subsection, existing staff must be unable to address the emergency and the rehire of the required annuitant must be necessary to prevent the stoppage of part of LACERA's public business, such as inability to serve members, pay benefits, invest funds, or meet other legal requirements that are part of LACERA's fiduciary duty. A retired annuitant rehired under this section must possess the demonstrated ability, based on the retired annuitant's work history, to assist LACERA in meeting the emergency and prevent the stoppage of public business.

### **6.3 Common Requirements**

In order for LACERA to rehire retired annuitants under Sections 6.1 and 6.2, the following additional requirements must be met:

#### **6.3.1 Work Hour Limitation (960 Hours)**

Retired annuitants may not work a combined total of more than 960 hours for LACERA and all other participating employers in any July 1 – June 30 fiscal year. Once the 960 hours limit is reached, a retired annuitant is not permitted to provide any additional services to LACERA or any other participating employer or to receive any additional compensation for such work for the remainder of the fiscal year.

#### **6.3.2 Retired Annuitant's Compensation**

The rate of pay for the employment of retired annuitants cannot be less than the minimum, nor exceed the maximum, paid by LACERA to staff performing comparable duties. Retired annuitants cannot receive any benefit, incentive, compensation in lieu of benefits, or other form of compensation in addition to the hourly rate.

#### **6.3.3 No Unemployment Benefits**

Retired annuitants are not permitted to be rehired by LACERA if, during the 12 month period prior to the temporary appointment date, they received unemployment insurance payments arising from prior employment under Section 7522.56 with any public employer. A retired annuitant who accepts employment under this Policy after receiving unemployment insurance compensation as described in this subsection shall terminate that employment as soon as practicable, and not later than the last day of the pay period after receiving notice from LACERA of this prohibition and shall not be eligible for reappointment subject to this section for a period of 12 months following the last day of employment.

### **6.3.4 Waiting Period for Post Retirement Employment**

Retired annuitants must wait 180 days from their date of retirement before returning to work at LACERA on a temporary basis, except if it is necessary to fill a critically needed position and the hiring has been approved by the Board of Retirement in an open meeting on a non-consent item, in which case the retired annuitant may return earlier than 180 days. The approval may not be placed on the Board's consent calendar.<sup>2</sup>

If a retired annuitant who is hired to fill a critically needed position is under the Normal Retirement Age, a continuous 90-day waiting period nevertheless applies, subject to advice from tax counsel. This is a federal tax law requirement, included in the Board of Retirement Regulations.

### **6.3.5 No Prearranged Agreement**

LACERA members who retire before reaching Normal Retirement Age cannot have a prearranged agreement, either orally or in writing, before commencing retirement to return to work at LACERA in a position previously held prior to retirement or any other position.

### **6.3.6 Limitations if Retired Under Incentive Arrangement**

A retired annuitant who accepted a retirement incentive upon retirement shall not be eligible to be employed under this Policy, even for a critically needed position, for a period of 180 days following the date of retirement. The exceptions, including critical need, stated in Section 6.3.4, do not apply in this circumstance.

## **6.4 Request, Approval, and Monitoring Process**

### **6.4.1 Request**

Managers are required to submit requests and renewal requests to the Human Resources Division to rehire retired annuitants for a 960 hour temporary assignment using the applicable Request form attached hereto based on whether the assignment is for limited duration or to address an emergency (the "960 Hour Request"). The 960 Hour Request must include a full and complete description of the project, the retired annuitants' skills and abilities based on their prior job classification, a description of the plan to complete the retiree's work or transition it to a current staff member, the expected limited duration of the work, and when applicable, an explanation of the emergency that necessitated the hiring of the rehired retiree to prevent stoppage of

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<sup>2</sup> See footnote 1 with respect to a public safety officer or firefighter hired to perform a function or functions performed by a public safety officer or firefighter.

LACERA's public business, and such other information as is required under Section 6.1, 6.2, and 6.3. Renewal requests must include an explanation on the 960 Request Form as to the continuing need and why the work was not completed during the prior period.

If the retired annuitant retired fewer than 180 days before the Request (as limited by the required 90-day period if the retired annuitant is under Normal Retirement Age), the 960 Hour Request must also include an explanation of the critical need that must be met and the retired annuitant's relevant skills based on their work history.

All 960 Hour Requests must include the signed applicable Conditions and Waiver form ("Conditions"), attached to this Policy, acknowledging the retired annuitant's understanding of and agreement to this Policy and its requirements, including the consequences for violation. The Conditions shall also confirm that they will comply with all other LACERA policies, including but not limited to conflict, ethics, and Human Resources policies. All 960 Hour Request and Conditions forms shall be maintained by the Human Resources Division.

#### **6.4.2 Approval and Offer of Employment**

Prior to offering employment, the 960 Hour Request must be approved by the Division Manager, Assistant Executive Officer, Human Resources Director, and the Chief Executive Officer or Deputy Chief Executive Officer. No approvals shall be granted for a period in excess of 960 hours in one fiscal year. All requests are subject to renewal every fiscal year, submission of a new and updated 960 Hour Request form, and re-approval, subject to the limits of Section 6.1.2 of this Policy. 960 Hour Requests may be renewed by management only upon good cause, including a showing that there was compliance with the terms of this Policy during the prior period and that the retired annuitant has skills based on their prior job classification needed to perform additional work of limited duration that cannot be performed by permanent staff members or the appointment is needed during an emergency to prevent stoppage of LACERA's public business.

Offers of employment, including renewal offers, may only be communicated to retired annuitants by the Human Resources Division.

#### **6.4.3 Board Approval**

All 960 Hour Requests for more than two fiscal years must be approved annually by the Board of Retirement in open session on the non-consent calendar on an annual basis, subject to Section 6.1.2. Board approval must be based on a finding that grounds continue to exist for continued appointment under Sections 6.1 and 6.2. Board approval of an

exemption from the 180-day waiting period shall be made as described in Section 6.3.4.

#### **6.4.4 Monitoring**

LACERA, including through the requesting Division Manager and the Benefits and Systems Divisions, is responsible for monitoring and tracking compliance of retired annuitants approved under a 960 Hour Request with the legal requirements set forth in this Policy. Monitoring shall include review of a retired annuitant's worked hours on at least a monthly basis throughout the retired annuitant's employment based on the most recent pay records and timesheets and regular communication with the retired annuitant about the progress of their work and hours spent. Once a retired annuitant has worked 700 hours in a fiscal year, hours worked shall be monitored on at least a weekly basis, and there shall be communication on a weekly basis between the retired annuitant and their Division Manager regarding completion of work within the 960 hour limit and the need to stop work when the limit is met. Any non-compliance shall be reported to the Chief Executive Officer, Deputy Chief Executive Officer, and Human Resources Director.

The Executive Office shall ensure that the Board of Retirement is provided with an annual report at the end of each fiscal year of all retired annuitants working under 960 Hour Requests, including the name, the number of fiscal years of post retirement employment with LACERA, summary of limited duration work performed, estimated completion date, status of transition plan, status of any emergency or critical need that the retired annuitant was rehired to address, and the history of hours performed in each fiscal year of employment.

#### **6.4.5 Retired Annuitant's Responsibility**

The retired annuitant has the responsibility, as stated in the Conditions and Waiver form they sign before beginning employment, to have truthfully made the representations stated in the Conditions form and to adhere to the requirements of this Policy, including but not limited to the responsibility to monitor their work so that it is no more than 960 hours in a fiscal year, and all other LACERA policies, including but not limited to conflict, ethics, and Human Resources policies.

### **7. WORK UNDER A BONA FIDE INDEPENDENT CONTRACT**

A retired annuitant's work as the employee of a vendor under a bona fide independent contract is not subject to the provisions and limitations stated in Section 6 if the contract and the retired annuitant comply with this section and will not affect their LACERA pension and benefits. Work under a contract in violation of this section may subject the retired annuitant to consequences under Section 8.

**7.1 Standard**

A retired annuitant may not perform work pursuant to a contract unless, in LACERA's discretion: the retired annuitant is approved to perform work under a bona fide independent contract; the proposed scope of work is not a continuation of the retired annuitant's work as an employee of a participating employer before retirement; the terms of employment, means and methods of the retired annuitant's work, and supervision of the work is controlled by the contractor, not LACERA; the contracting entity is substantial in terms of its business, history, and make up to demonstrate that the entity is legitimate; the contract is not proposed to evade the 960 hour and other limits of Sections 7522.56 and 31680.6, or other applicable law; the retired annuitant's role in the contract will not violate conflict of interest and ethics laws, regulations, and policies; and, if the retired annuitant was under Normal Retirement Age at the time of their retirement, there was no prearranged agreement that the retired annuitant would become employed by the contractor for the purpose of performing work on a contract with LACERA. Contracts directly with a retired annuitant or with a business entity controlled, directly or indirectly, in whole or in part, by a retired annuitant are prohibited. Work for LACERA under a contract that does not comply with this subsection are not permitted because they are deemed by LACERA to not be bona fide independent contracts.

**7.2 Request and Management Approval**

Managers are required to submit requests for retired annuitants to perform work under a bona fide independent contract using the attached Contract Request form. The Contract Request must be approved by the Division Manager, Assistant Executive Officer, Human Resources Director, and the Chief Executive Officer or Deputy Chief Executive Officer. If approved, it is the responsibility of the manager to ensure that the retired annuitant does not perform any work for LACERA except under the contract.

**7.3 Limitations**

A retired annuitant's work under a bona fide independent contract shall be limited to the scope of work described in the contract; no work for LACERA outside of the contract is permitted. Retired annuitants working under a Contract Request must sign the attached Conditions and Waiver form in which the retired annuitants accept the requirements of this Policy and truthfully represent the facts needed to demonstrate compliance with this section. All Contract Request and Conditions forms shall be maintained by the Human Resources Division.

**8. ENFORCEMENT**

The scope of this Section 8 is limited to enforcement of Sections 7522.56 and 31680.6, and other applicable law, with respect to the eligibility under that statute of a retired annuitant, in accordance with and subject to and in compliance with this Policy, to provide service to LACERA and the consequences for violation as described in

Section 8.2. This section does not address other matters arising from the employment of a retired annuitant or their work for LACERA. Issues relating to all other employment matters, including but not limited to job duties and assignments, compensation, performance evaluation, compliance with other LACERA policies and procedures, and discipline, up to and including termination, remain the responsibility of the Chief Executive Officer, the Deputy Chief Executive Officer, the Human Resources Director, or their designees.

### **8.1 Standard**

California Government Code Section 7522.56 provides that a retired annuitant shall not serve or, be employed by, or be employed through a contract directly by, an employer in the same public retirement system from which the retiree receives a benefit without reinstatement from retirement, except as provided in that section. California Government Code Sections 31680, 31680.2 and 31680.6 may also impose requirements on retired annuitants. LACERA's standards with respect to retired annuitants performing work under a 960 Hour Request or a Contract Request are set forth in this Policy and are intended to be consistent with and not in conflict with applicable state and federal law, which shall control this Policy.

### **8.2 Notice of Violation and Consequences**

If a retired annuitant works in violation of this Policy, LACERA shall provide the person with notice of violation and recommended consequences, which will include, as LACERA determines is appropriate given the nature of the violation, reinstatement from retirement, offset, loss, or interruption of retirement benefits, recovery of improperly paid benefits, benefit adjustments or other methods to collect overpaid salary in violation of the 960 hour limit, the hourly rate limit, and any other appropriate action. The notice of violation shall include all documents supporting the violation and recommended consequences.

### **8.3 Appeal**

If the retired annuitant disagrees with the consequences determined and imposed by staff, they may seek review under LACERA's Administrative Appeal Procedure for Retirement Benefits.

## **9. EFFECTIVE DATE AND APPLICATION**

This Policy shall be effective immediately upon approval by the Board of Retirement.

This Policy shall be applicable to all retired annuitants employed by LACERA as of the effective date ("Existing Retired Annuitants") based on their years of such employment as of that date. If an Existing Retired Annuitant's total period of employment by LACERA as of the effective date for special skills to perform work of limited duration exceeds the four fiscal year maximum permitted under Section 6.1.2, the Board of Retirement may annually grant an extension in one fiscal year increments

based on an annual explanation by the Executive Office of exceptional circumstance as defined in Section 6.1.2.

## **10. REFERENCES**

These references are intended to help explain this policy and are not an all-inclusive list of policies, procedures, laws, and requirements. The following information complements and supplements this document:

### **Related Policies:**

- Administrative Appeal Procedure for Retirement Benefits

### **Related Procedures:**

- Retired Annuitant Hours Tracking Method

### **Related and Conditions Forms/Templates:**

- Request for Employment of Retiree to a 960 Hour Temporary Assignment Form
- Conditions of Post Retirement Employment and Waiver for 960 Hour Temporary Assignment Form
- Request for Post Retirement Work Under a Bona Fide Independent Contract Form
- Conditions of Post Retirement Work and Waiver Under a Bona Fide Independent Contract Form

### **Other Related Information:**

- California Government Code Section 7522.56
- California Government Code Section 31680, 31680.2, and 31680.6
- Board of Retirement Regulation XV

Human Resources Division shall revise its procedures consistent with this Policy.

## **11. VERSION HISTORY**

**Policy Issue Date:** First approved by the Board of Retirement on November 4, 2020, with an immediate Effective Date.

Reviewed and current revised version approved by the Board of Retirement and effective on July 7, 2023.

## **12. POLICY REVIEW AND APPROVAL**

This Policy is effective on the day adopted by the Board of Retirement. This Policy shall be reviewed by the Board every three years.

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## POST RETIREMENT EMPLOYMENT POLICY

July 7, 2023

Page 12 of 16

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### **Attachments:**

1. Request for Employment of Retiree to a 960 Hour Temporary Assignment Form
2. Conditions of Post Retirement Employment and Waiver for 960 Hour Temporary Assignment Form
3. Request for Post Retirement Work Under a Bona Fide Independent Contract Form
4. Conditions of Post Retirement Work and Waiver Under a Bona Fide Independent Contract Form



## REQUEST FOR EMPLOYMENT OF RETIREE TO A 960 HOUR TEMPORARY ASSIGNMENT

RETIREE NAME:

EMPLOYEE NUMBER:

DATE OF BIRTH:

DIVISION: Select Option

PAYROLL TITLE:

ASSIGNED SUPERVISOR:

START DATE OF ASSIGNMENT:

END DATE OF ASSIGNMENT:

ESTIMATED HOURS:

(Attach additional pages for each section below, as necessary)

Description of work of limited duration (or emergency to prevent stoppage of LACERA business) & explanation of why work cannot be performed by a permanent staff member and state how many hours are required to complete the work:

Retiree's applicable knowledge, skills, and abilities, based on their prior job classification and work history, needed for the work and plan to transition knowledge to permanent staff:

Description of work of limited duration (or emergency to prevent stoppage of LACERA business) and plan to complete the work, including explanation as to why work was not already completed if the request is for a renewal, if the request requires Board approval, describe the good cause or exceptional circumstances:

**Request for Employment of Retiree to a 960 Hour Temporary Assignment**  
**Page 2**

If this is a renewal, explain why the work was not completed during the prior approval period:

If there is a critical need that supports an exception to the 180-day waiting period after the retiree's retirement, explain in full:

SUBMITTED BY:

\_\_\_\_\_  
Division Manager Name

\_\_\_\_\_  
Division Manager Signature

\_\_\_\_\_  
Date

APPROVAL:

\_\_\_\_\_  
Assistant Executive Officer

\_\_\_\_\_  
Assistant Executive Officer Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Human Resources Director

\_\_\_\_\_  
Human Resources Director Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Executive Officer Signature

\_\_\_\_\_  
Date

<b>HR STAFF REVIEW:</b>	<b>DATE PROCESSED:</b>
<b>DATE REVIEWED:</b>	<b>DIVISION NOTIFIED:</b>
<b>DATE OF RETIREMENT:</b>	<b>CALCULATED ON CALENDAR DAYS:</b>
<b>REMARKS:</b>	

**CONDITIONS OF POST RETIREMENT EMPLOYMENT AND WAIVER  
FOR 960 HOUR TEMPORARY ASSIGNMENT****Retiree Name:****Employee Number:**

I, \_\_\_\_\_, retired on \_\_\_\_\_ from \_\_\_\_\_, a participating employer in LACERA. I desire to perform post-retirement work for LACERA as provided in Government Code Section 7522.56 and other applicable law and LACERA policies while remaining on retired status. During this employment with LACERA, there will be no suspension or termination of my LACERA retirement allowance and benefits if I comply with the requirements of LACERA's Post Retirement Employment Policy. As conditions of my post retirement employment, I understand and acknowledge as follows: **(Each line must be initialed to indicate understanding and agreement with these conditions.)**

\_\_\_\_\_ 1. That the duration of this employment with LACERA is limited to a maximum of 960 hours during the fiscal year ended June 30, \_\_\_\_, and that I will monitor my own compliance with this limit on a regular and ongoing basis so that my work does not exceed the limit by any amount of time.

\_\_\_\_\_ 2. That I have no right to continued employment and that my employment may be terminated by LACERA at any time without cause.

\_\_\_\_\_ 3. That I will not accrue service credit or otherwise acquire any additional retirement benefits from the employment, and I will not receive any benefit, incentive, compensation in lieu of benefits, or other form of compensation in addition to the hourly rate I am paid for my work.

\_\_\_\_\_ 4. That violation of the 960 hour work hour limit and other provisions of the Policy and applicable law may cause reinstatement from retirement, the suspension of my LACERA retirement allowance and healthcare benefits, and collection of amounts by which I have been overpaid over the 960 hour limit.

\_\_\_\_\_ 5. That I have no right to continued employment and that my employment may be terminated by LACERA at any time without cause.

\_\_\_\_\_ 6. That, as a condition of this post retirement employment, I certify that I have not received any unemployment insurance benefits within the last 12 months resulting from prior employment as a retiree with LACERA. If I have received such benefits, I shall immediately resign and will not be eligible for reappointment for 12 months.

\_\_\_\_\_ 7. That, if I retired before reaching Normal Retirement Age, I did not have a prearranged agreement, either orally or in writing, before commencing retirement to return to work at LACERA in a position previously held prior to retirement or any other position.

\_\_\_\_\_ 8. That I received, read, understand, and will abide by LACERA's Post Retirement Employment Policy and LACERA's other policies, including conflict, ethics, and Human Resources policies.

\_\_\_\_\_ 9. That I did not receive an incentive upon retirement.

I have received and read, understand, and agree to LACERA's Post Retirement Employment Policy and the above conditions of my rehire by LACERA. The statements herein are all true and correct. I understand the consequences of violating the Policy.

\_\_\_\_\_  
Employee Signature  
Print Name \_\_\_\_\_

\_\_\_\_\_  
Date



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**REQUEST FOR EMPLOYMENT OF RETIREE TO A 960 HOUR  
TEMPORARY ASSIGNMENT**

RETIREE NAME:

EMPLOYEE NUMBER:

DIVISION:

SECTION:

PAYROLL TITLE:

ASSIGNED CONTRACT SUPERVISOR:

INDEPENDENT CONTRACTOR NAME:

Attach a copy of entire contract with independent contractor, including scope of work, if separate.

(Attach additional pages for each section below, as necessary)

Description of work to be performed by retiree, including an explanation as to how the retiree's work under the contract will be substantially different from their work as an employee before retirement, and that this request is not to evade the 96 hour limit for rehired retirees:

Confirm that the terms of the retiree's employment, the means and methods of the retiree's work, and supervision of the work will be controlled by the contractor, not LACERA:

Confirm that the retiree does not control or own the independent contractor, directly or indirectly, in whole or in part:

**Request for Post Retirement Work Under a Bona Fide Independent Contract**  
**Page 2**

Explain how the independent contractor was selected, and provide information showing that the contractor is substantial in terms of its business, history, and make up:

SUBMITTED BY:

\_\_\_\_\_  
Division Manager Name

\_\_\_\_\_  
Division Manager Signature

\_\_\_\_\_  
Date

APPROVAL:

\_\_\_\_\_  
Assistant Executive Officer

\_\_\_\_\_  
Assistant Executive Officer Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Human Resources Director

\_\_\_\_\_  
Human Resources Director Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Executive Officer Signature

\_\_\_\_\_  
Date

<b>HR STAFF REVIEW:</b>	<b>DATE PROCESSED:</b>
<b>DATE REVIEWED:</b>	<b>DIVISION NOTIFIED:</b>
<b>DATE OF RETIREMENT:</b>	<b>CALCULATED ON CALENDAR DAYS:</b>
<b>REMARKS:</b>	

**CONDITIONS OF POST RETIREMENT WORK AND WAIVER UNDER  
A BONA FIDE INDEPENDENT CONTRACTOR****Retiree Name:****Employee Number:**

I, \_\_\_\_\_, retired on \_\_\_\_\_ from \_\_\_\_\_, a participating employer in LACERA. I desire to work on LACERA's contract with \_\_\_\_\_ (the "Independent Contractor") as an employee of the Independent Contractor. During this contract work, there will be no suspension or termination of my LACERA retirement allowance and benefits if my contract work complies with the requirements of LACERA's Post Retirement Employment Policy. As conditions of my contract work, I understand and acknowledge as follows: **(Each line must be initialed to indicate understanding and agreement with these conditions.)**

\_\_\_\_\_ 1. That LACERA's contract with the Independent Contractor is a bona fide independent contract under California law, such that the terms of my employment, the means and methods of my work, and supervision of the work must be controlled by the contractor, not LACERA, and that the Independent Contractor is substantial in terms of its business, history, and make up so as to demonstrate that the entity is legitimate. I will not accept non-contract work directly from LACERA.

\_\_\_\_\_ 2. That I will not receive any compensation or benefits directly from LACERA for my work on LACERA's contract with the Independent Contractor, and I will be compensated by the Independent Contractor.

\_\_\_\_\_ 3. That my work under LACERA's contract with the Independent Contractor is not intended to evade the 960 hour and other limits of California Government Code Sections 7522.56 and other applicable law, and that my work under the contract is not a continuation of my work as an employee for a participating employer in LACERA.

\_\_\_\_\_ 4. That my work under LACERA's contract with the Independent Contractor will not violate conflict of interest and ethics laws, regulations, and policies.

\_\_\_\_\_ 5. That I do not control or own the Independent Contractor, directly or indirectly, in whole or in part.

\_\_\_\_\_ 6. That, if I was under Normal Retirement Age at the time of my retirement, there was no prearranged agreement that I would become employed by the contractor to perform on a contract with LACERA.

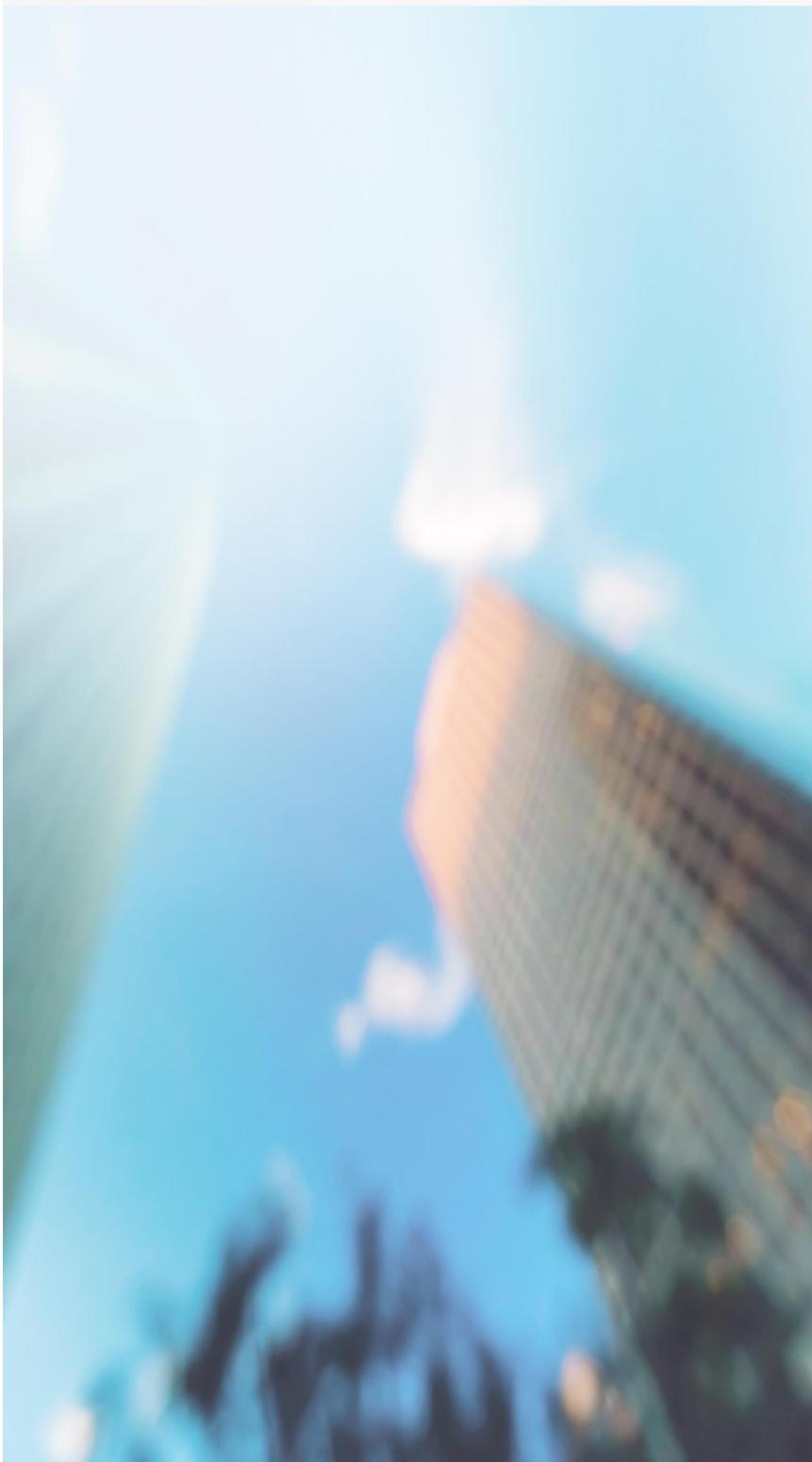
\_\_\_\_\_ 7. That, if any of the conditions stated above are not true or if my contract work for any reason does not meet the requirements of employment for a bona fide independent contractor, it may cause reinstatement from retirement, the suspension of my LACERA retirement allowance and healthcare benefits, and collection, including offset of my LACERA benefit payments for amounts due for work in violation of the law.

I have received and read, understand, and agree to LACERA's Post Retirement Employment Policy and the above conditions of work for the Independent Contractor. The statements herein are all true and correct. I understand the consequences of violating the Policy.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

Print Name \_\_\_\_\_



# LACERA's Rehired Retiree Program Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2022

**Audit Report Date: July 31, 2023**

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Presented by:

Richard P. Bendall, Chief Audit Executive

Kimberly D. Hines, Senior Auditor

# Summary of Engagement



Responsible Division:	<b>Human Resources</b>
Type of Engagement:	Assurance
Audit Rating:	Unsatisfactory
Prior Audit Rating:	Unsatisfactory

## Type of Engagements

**Assurance:** 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.

**Consulting:** Collaborate with Management to provide formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

**Advisory:** Provide Management with informal advice.

# Background, Scope, Objective



**Background:** We perform this audit annually as failure to adhere to the regulations and requirements not only violates state law governing retirement benefits, but it could also jeopardize the qualified tax deferred status of LACERA under federal tax law

**Scope:** This engagement covered the Fiscal Year 2021-2022 and the five retirees that LACERA hired during that period.

**Objectives:** The audit included the following objectives:

1. Assess organizational compliance to LACERA's 2020 "Post Retirement Employment Policy."
2. Assess Human Resources (HR) compliance to their draft divisional procedures, "Policies and Procedures Guide (PPG) 102, 120-Day or 960 hours Retiree Rehire Procedures" (Draft HR Procedure).



# Summary of Findings



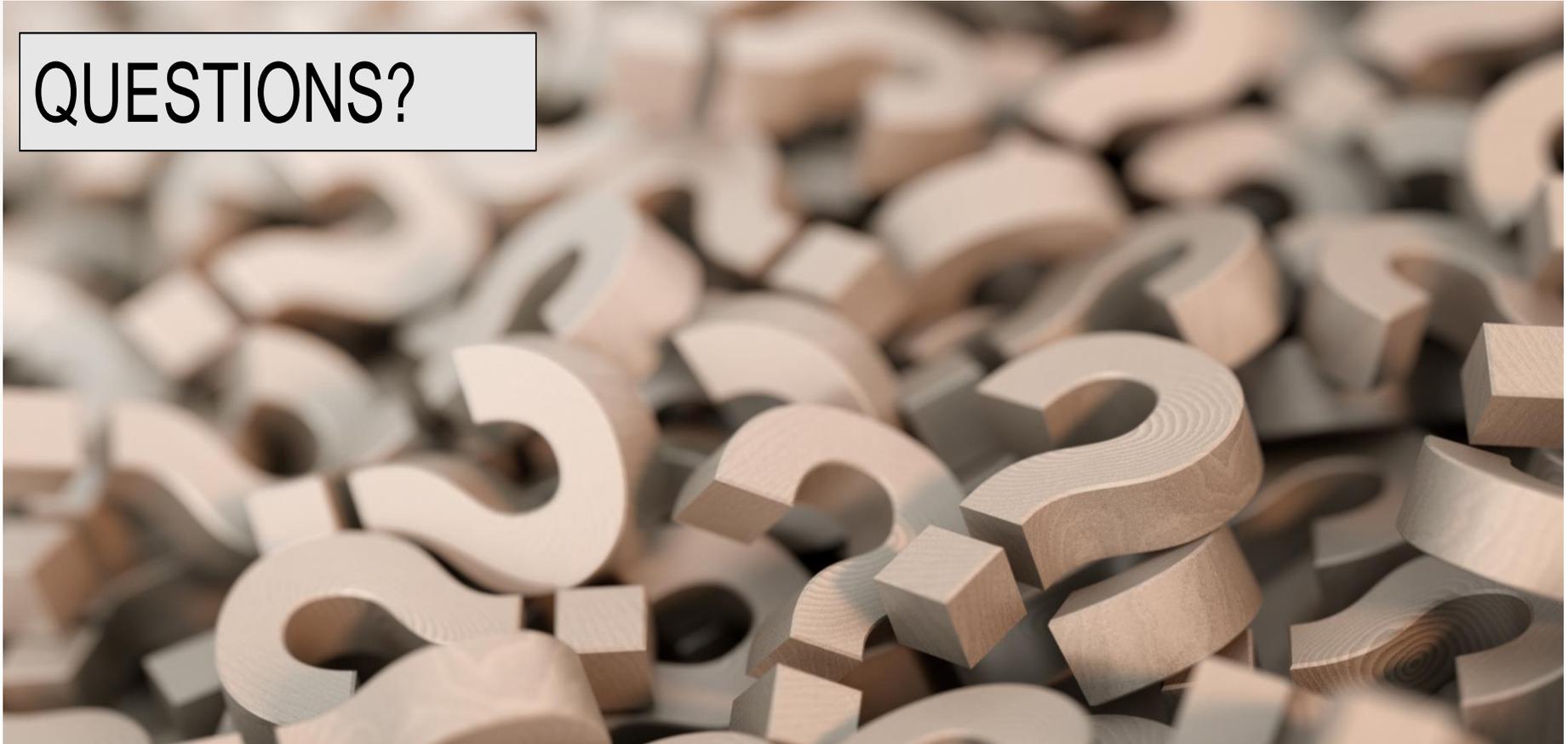
Ref. #	Title of Finding	Rating	Management Response
1	Continued Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	High	<p>Management agrees with the recommendations. The Board of Retirement recently approved the revised Rehired Retirees policy and HR is in the process of drafting the complementary internal procedures. These procedures will include the complete review of the forms and ensure proper and thorough documentation. HR Management will also implement protocols to monitor the process to ensure all required forms are accurate and complete that rehired retirees are paid at the correct rate and for the approved work period. HR will obtain the missing documents for rehired retirees for FY 2021-2022 or document the reason for those they are not able to obtain. Management agrees that the individual hiring manager has responsibility for the compliance with the approved policy, including ensuring that rehired employees do not work without prior approval per the policy, the employee does not work outside of the approved time period and the hours. Management has committed to educating managers through the MAC and SAC teams and will continue to remind managers periodically of the need for compliance. HR Management agrees they have the responsibility to ensure that the rehired retirees only work the period authorized to work, adherence to the approval process, and to ensure that the rehired employee is paid in according with the policy. HR will continue its efforts to monitor and communicate to the hiring manager and the employee throughout the agreed upon time-period. It is understood this is a monitoring and reporting compliance duty. With respect to recommendation number 6, HR will calculate the amount of overpayment and work with the Member Operations Group to notify the individual to arrange for a timely repayment</p>
2	Continued Lack of Specific Limits in Defining Limited Duration	High	<p>Management agrees with the recommendations. The Board of Retirement adopted a revised Rehired Retiree Policy in July 2023, that addresses the issue of limited duration and outlines a transparent process and circumstances for deviation from the standard protocols. The request form requires documentation of the justification for the use of the retiree, the plan to transition the work to LACERA staff or complete a project, and the estimated duration of the work. Board of Retirement approval is required for all retiree work beyond two fiscal years based on a supporting memo from the Executive Office demonstrating exceptional circumstances. Management believes that the 2023 revised policy addresses the recommendations of this report.</p>

# Thank You



We would like to thank the Human Resources staff and management for their cooperation on this engagement and invite them to provide any comments.

QUESTIONS?





August 15, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert H. Griffin

FROM: Leisha E. Collins   
Principal Internal Auditor

Kimberly D. Hines   
Senior Internal Auditor

FOR: August 31, 2023, Audit Committee Meeting

SUBJECT: **Request for Proposal for Audit Committee Consultant**

### **RECOMMENDATION**

Internal Audit recommends that the Audit Committee authorize staff to release a Request for Proposal (RFP) to select a qualified Audit Committee Consultant for a three-year term, with an option to extend the contract for up to two additional one-year terms.

### **BACKGROUND**

The Audit Committee is responsible for overseeing LACERA's governance activities, including risk management practices and related internal controls. The Audit Committee Charter establishes authority and responsibility of the Audit Committee which includes authority to approve the hiring of an audit and financial consultant to serve as a technical advisor to the Audit Committee. The Audit Committee Consultant is a non-voting member who works with the Audit Committee and LACERA's Internal Audit staff to provide advice and direction upon request.

At the December 2020 Audit Committee Meeting, the Committee selected Robert Griffin, Managing Partner of Williams Adley, to serve as their consultant for a three-year term. Mr. Griffin's contract concludes December 31, 2023, therefore staff recommends the issuance of an RFP to select the next Audit Committee Consultant by 2023 calendar year end. Upon Committee approval, staff is prepared to issue the RFP in early September 2023. The proposed evaluation team, consisting of Internal Audit staff and LACERA's Chief Counsel, will evaluate proposals. Top candidates will be brought to the December 2023 Audit Committee meeting for interviews and selection.

## Request for Proposal for Audit Committee Consultant

August 15, 2023

Page 2 of 2

Staff will provide an overview of the RFP process at the August 2023 Meeting. Included with this memo are the following attachments for discussion:

- Attachment A - proposed RFP minimum qualifications
- Attachment B - presentation on the RFP process including the scope of work, minimum qualifications, timing and planning for completion of the RFP.

### **CONCLUSION**

We recommend that the Audit Committee authorize staff to release an RFP to select a qualified Audit Committee Consultant for a three-year term with an option to extend the contract for up to two additional one-year terms.

#### Attachments

A. Minimum Qualifications Certification

B. Request for Proposal – Audit Committee Consultant (Presentation)

Noted and Reviewed:



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Richard P. Bendall  
Chief Audit Executive

LC:kdh

**ATTACHMENT A**

**MINIMUM QUALIFICATIONS CERTIFICATION  
(TO BE SUBMITTED ON RESPONDENT’S LETTERHEAD)**

All Respondents must sign and return this attachment, along with written evidence of how you meet each qualification. The undersigned hereby certifies that the Respondent submitting this response fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

**A. Minimum Qualifications include:**

Minimum Qualifications*	Yes	No
At least five years’ experience ( <i>any one of the following satisfies this requirement</i> ): <ul style="list-style-type: none"> <li>▪ At the level of Chief Audit Executive (CAE), Controller, or Chief Financial Officer (CFO)</li> <li>▪ At the level of Partner, Director, or Senior Manager for a Certified Public Accounting firm</li> <li>▪ As an attorney with experience in the areas of public accounting, finance, or auditing</li> </ul>		
Bachelor’s degree from an accredited college or university with a major in accounting, finance, public administration or a closely related field.		

\* LACERA reserves the right to grant exceptions to the minimum qualifications with appropriate explanation and in our sole discretion.

**The undersigned hereby certifies that they are an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.**

\_\_\_\_\_

Authorized Signature

\_\_\_\_\_

Date

\_\_\_\_\_

Name and Title (please print)

\_\_\_\_\_

Name of Firm



# Request for Proposal Audit Committee Consultant

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Presented by:

Leisha E. Collins, Principal Internal Auditor

Kimberly D. Hines, Senior Internal Auditor

# Recommendation and Background

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## Recommendation

Internal Audit recommends that the Audit Committee approve the release of a Request for Proposal (RFP) to search for a qualified Audit Committee Consultant for a three-year term with an option to extend the contract for up to two additional one-year terms.

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## Background

The Audit Committee Charter provides the authority to approve the hiring of an audit and financial consultant to serve as an advisor to the Audit Committee. The Audit Committee Consultant is a non-voting member who works with the Audit Committee and LACERA's Internal Audit staff to provide advice and direction upon request.

Robert Griffin, Managing Partner of Williams Adley, has served as the Audit Committee Consultant since January 2021. Mr. Griffin's contract concludes December 31, 2023

The selected consultant will serve as the Audit Committee's designated technical expert and will advise the Committee on audit and financial matters. The consultant agreement will begin in January 2024 for a three-year term with an option to extend the contract for up to two additional one-year terms.

# Scope of Work

## Audit Committee Consultant Services include:

- Attending all Audit Committee meetings and actively participate in discussions.
- Providing educational pieces to help the Audit Committee in fulfilling their roles and responsibilities.
- Advising the Committee on:
  - Review of LACERA's Annual Financial Statement Audits.
  - Review of Internal Audit progress on Audit Plan, audits, and recommendations.
  - American Institute of Certified Public Accountants (AICPA) standards, and Institute of Internal Auditor's (IIA) International Standards
- Supporting the Committee in fulfilling their roles and responsibilities by providing best practices relating to public and private audit committees.

# Minimum Qualifications

Firms and Consultants must meet the following Minimum Qualifications (MQs):

- Bachelor's degree from an accredited college or university with a major in accounting, finance, public administration or a closely related field.
  
- At least five years' experience (*any one of the following satisfies this requirement*):
  - Chief Audit Executive (CAE), Controller, or Chief Financial Officer (CFO)
  - Partner, Director, or Senior Manager for a Certified Public Accounting firm
  - As an attorney with experience in the areas of public accounting, finance, or auditing

# Desired Professional Qualifications/Experience

In addition to meeting MQs, the candidate should demonstrate the following:

- Prior experience as an Audit Committee Consultant for a government or corporate entity.
- Advanced Degree and related certifications such as *JD, PHD, MBA, CPA, CIA*.
- Extensive knowledge of government accounting standards, AICPA and IIA Standards.
- Comprehensive understanding of internal controls as identified by The Council of Sponsoring Organizations (COSO).
- Broad knowledge of public pension and investment practices, public pension fund finance administration, accounting systems, controls, budgeting and procurement, knowledge of '37 Act Pension Systems.
- Strong sense of corporate governance.

# Scoring Criteria

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60%

## Qualifications and Experience

- Experience meets or exceeds minimum requirements
- Knowledge in accounting and auditing standards
- Academic qualifications and/or professional certifications
- Knowledge and understanding of corporate governance
- Knowledge and experience in public pension and investment practices
- Approach to diversity, equity, and inclusion in the workplace (if applicable)

15%

## Proposal

- Thorough concise responses
- Clearly addresses information requested

15%

## References

- Relevant and current references
- High quality of services; and alignment with knowledge and experience we are seeking

10%

## Fees

- Proposed for attending meetings
- Proposed for meeting preparation and other services provided.

# Proposed Evaluation Team

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Richard Bendall  
Chief Audit Executive  
Internal Audit



Leisha Collins  
Principal Internal Auditor  
Internal Audit



Steve Rice  
Chief Legal Counsel  
Legal Office



Kimberly Hines  
Senior Internal Auditor  
Internal Audit

As the Audit Committee has the responsibility and authority to hire an audit and financial consultant to serve as an advisor to the Committee, we would like to ask if any Members would like to join the Evaluation Team.

# RFP Timeline and RFP Process

RFP Steps	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024
Design RFP	Active	Active					
Seek Committee approval		Active					
Release RFP			Active				
Questions & Responses			Active	Active			
RFP Due Date				Active			
Evaluate RFP Submissions				Active	Active		
Recommend Finalist(s) to AC						Active	
Finalize contract						Active	Active

# Conclusion

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## Recommendation

The Audit Committee approve the release of a Request for Proposal (RFP) to search for a qualified Audit Committee Consultant for a three-year term with an option to extend the contract for up to two additional one-year terms.

# QUESTIONS

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**Thank You**



August 15, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert H. Griffin

FROM: Nathan K. Amick   
Senior Internal Auditor

FOR: August 31, 2023, Audit Committee Meeting

SUBJECT: **Internal Audit Annual Performance Report – Fiscal Year Ended 2023**

## **BACKGROUND**

According to the Institute of Internal Auditor's Standard 2010 on audit planning<sup>1</sup>, the Chief Audit Executive must establish risk-based plans to determine the priorities of internal audit and ensure audit resources are appropriately allocated to address top priorities and key risk areas. Internal Audit developed the Fiscal Year Ended (FYE) 2023 Audit Plan which the Committee approved at the August 2022 Meeting. Due to emerging work and changing priorities, Internal Audit amended the FYE 2023 Audit Plan (pg. 2), which the Committee also approved at the March 2023 meeting.

The final FYE 2023 Audit Plan consisted of 42 audits, which included assurance, advisory and other operational projects. As of August 15, 2023, Internal Audit staff has completed 33 (79%) of the 42 Audit Plan projects. Of the nine (9) remaining projects, three (3) are currently in progress, five (5) have been rolled over to the FYE 2024 Audit Plan, and one (1) will not be performed.

Staff has prepared and will present the attached FYE 2023 Annual Performance Report (**Attachment A**) which provides additional details and insight into the work performed throughout FYE 2023.

Noted and Reviewed:



Richard P. Bendall  
Chief Audit Executive

Attachment

NKA

<sup>1</sup> For IIA 2010 Standard, refer to website at [www.globaliia.org/standards-guidance](http://www.globaliia.org/standards-guidance) or [www.theiia.org/guidance](http://www.theiia.org/guidance).

FYE 2023 AUDIT PLAN				
	DIVISION	AUDIT/PROJECTS	PROJECT	STATUS/STAGE
<b>EXECUTIVE OFFICE/ORGANIZATIONAL</b>				
1	Exec Office	LA County 960 Rehired Retiree Audit FYE 22	Assurance	Completed
2	Exec Office	Records & Information Management (fka: Doc Ret)	Consulting	Completed
3	Exec Office	Organization Governance Ethics Follow-Up	Advisory	Completed
4	Exec Office	Review of Privacy Audit Recommendations	Advisory	Completed
<b>ADMINISTRATION</b>				
5	Admin Services	Procurement of Services - Contract Operation	Assurance	Completed
6	Admin Services	Inventory Asset Management	Assurance	Carryover FYE 24
7	HR	LACERA 960 Rehired Retiree FYE 2022	Assurance	Completed
8	Info Sec	Third-Party Data Security	Assurance	Completed
9	Systems	Termination of Access	Assurance	Rollover FYE 24
10	Systems	Privileged Access	Assurance	Rollover FYE 24
11	Systems	IT Risk Assessment	Assurance	Rollover FYE 24
12	Systems	SOC Audit FYE 2022	Oversight	Completed
13	Systems	RFP SOC	Oversight	Completed
<b>FASD &amp; INVESTMENTS</b>				
14	FASD	Wire Transfers Audit - State Street	Assurance	Completed
15	Investments	Wire Transfers Audit- B of A	Assurance	Rollover FYE 24
16	FASD	Organizational Credit Card Review	Assurance	Completed
17	FASD	CEO Credit Card Review	Assurance	Completed
18	FASD	State Street Bank User Access*	Assurance	Completed
19	FASD	Financial Audit RFP	Oversight	Completed
20	FASD	Financial Audit FYE 2022	Oversight	Completed
21	FASD	Duplicate Vendor Payments	Assurance	Completed
22	FASD	Financial Audit Controls Review	Assurance	Carryover FYE 24
23	Investments	Investments Due Diligence Consulting Rvw	Consulting	Completed
24	Investments	Actuarial Audit FY 22 & 23	Oversight	Completed
25	Investments	THC Financial Audits - FY 22 & 23	Oversight	Completed
<b>MEMBER OPERATIONS GROUP (MOG)</b>				
26	Benefits	Death Claims Calc & Documentation	Assurance	Rollover FYE 24
27	Benefits	Replacement Plan 415B	Assurance	Carryover FYE 24
28	Benefits	Felony Forfeiture	Assurance	Not to be Performed
29	Benefits	Duplicate Member Special Payment (Limited Scope)	Assurance	Completed
30	Benefits	New Payees (limited scope)	Assurance	Completed
31	Benefits	SSNVS	Assurance	Completed
32	MOG	Implementation of Case Management	Advisory	Completed
33	DRS	Disability Process Review	Assurance	Completed
<b>INTERNAL AUDIT ADMINISTRATION</b>				
34	Internal Audit	Reco Follow-Up - Org + Administrative	Other Projects	Completed
35	Internal Audit	Reco Follow-Up - Systems	Other Projects	Completed
36	Internal Audit	Professional Development / CPE	Other Projects	Completed
37	Internal Audit	QAIP	Other Projects	Completed
38	Internal Audit	AC Support	Other Projects	Completed
39	Internal Audit	Risk Assessment	Other Projects	Completed
40	Internal Audit	TeamMate	Other Projects	Completed
<b>ADDED PROJECTS</b>				
41	Systems	SOC Audits FYE 2023	Oversight	Completed
42	FASD	Financial Audit FYE 2023	Oversight	Completed



ATTACHMENT A

# Internal Audit

# Annual Performance Report

For Fiscal Year Ended June 30, 2023

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Prepared by:

Nathan Amick, Senior Internal Auditor

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Quality Assurance and Improvement Report	16

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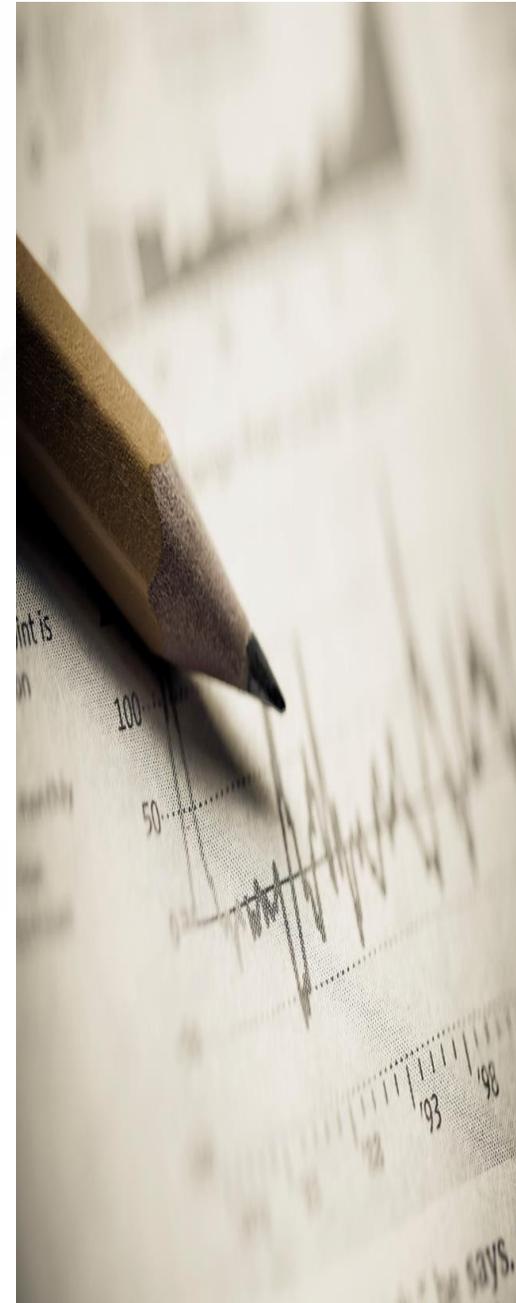
# Annual Report Overview

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The Internal Audit Division (Internal Audit) is pleased to present the Annual Performance Report for the Fiscal Year Ended June 30, 2023 (FYE 2023). The report provides information on the completion of our FYE 2023 Audit Plan.

The work performed by Internal Audit contributes toward accountability, integrity and good management practices at LACERA. Assurance, consulting, and advisory projects, as detailed in this report focused on improvement of risk management, control, and governance processes.

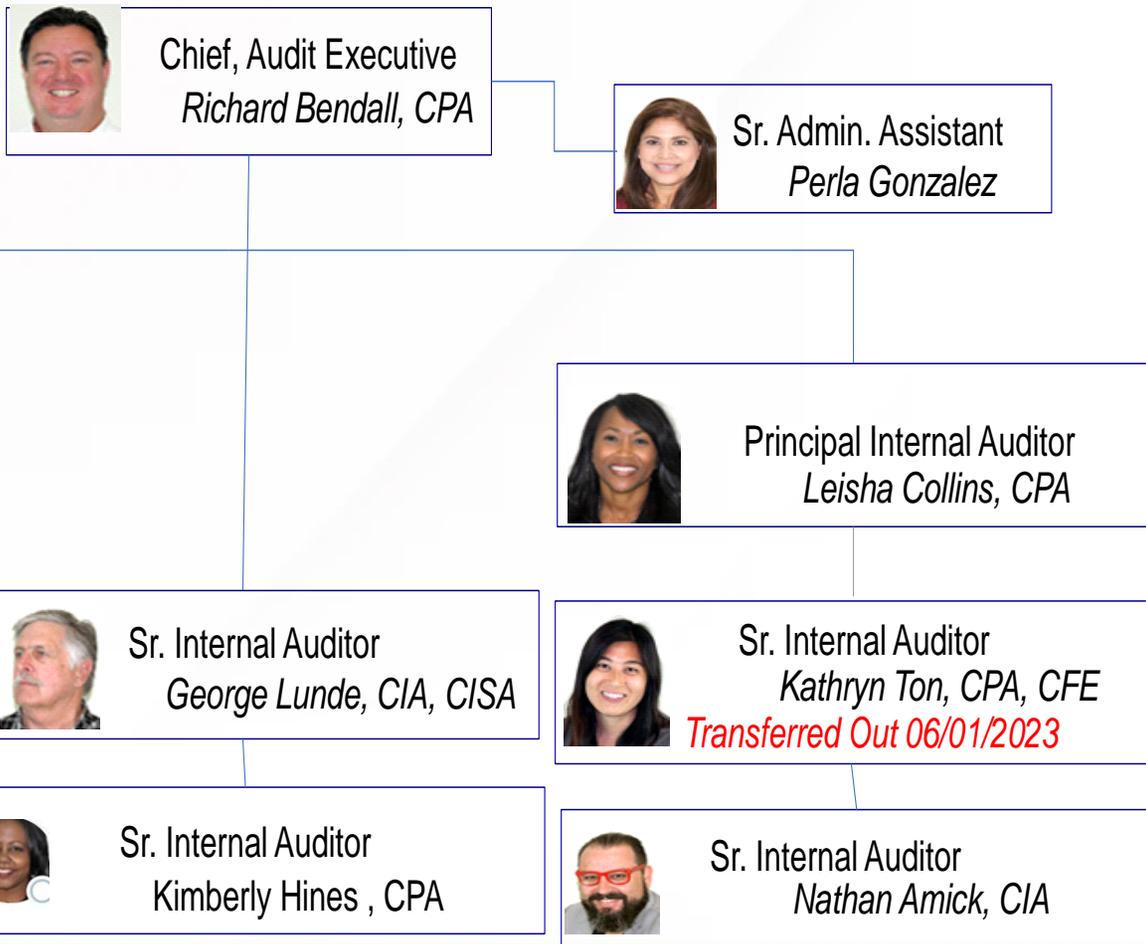
In addition, this report provides an update to the Committee on the status of Internal Audits FYE 2023, and the current state of Internal Audit's Quality Assurance and Improvement Program (QAIP).



# Internal Audit

Internal Audit consists of 11 budgeted position; nine of which are filled, with one on loan to another division, and one vacant position. Part of the measure of an internal audit department is the qualifications and professional development of the personnel. We have a well-rounded team with years of audit experience and professional designations including Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) and Certified Information Systems Analyst (CISA).

## The Internal Audit Team

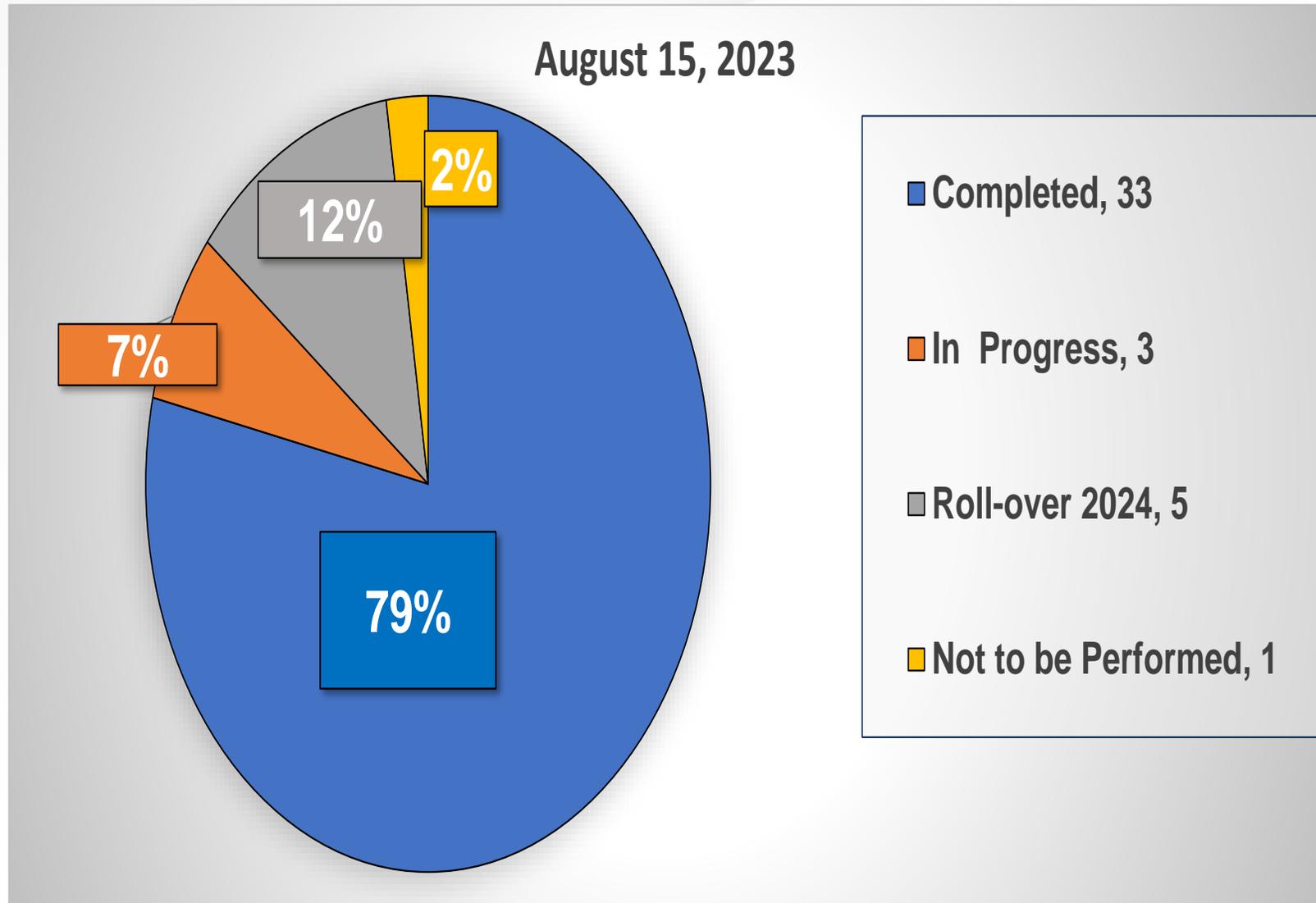


# **FYE 2023 Year In Review**

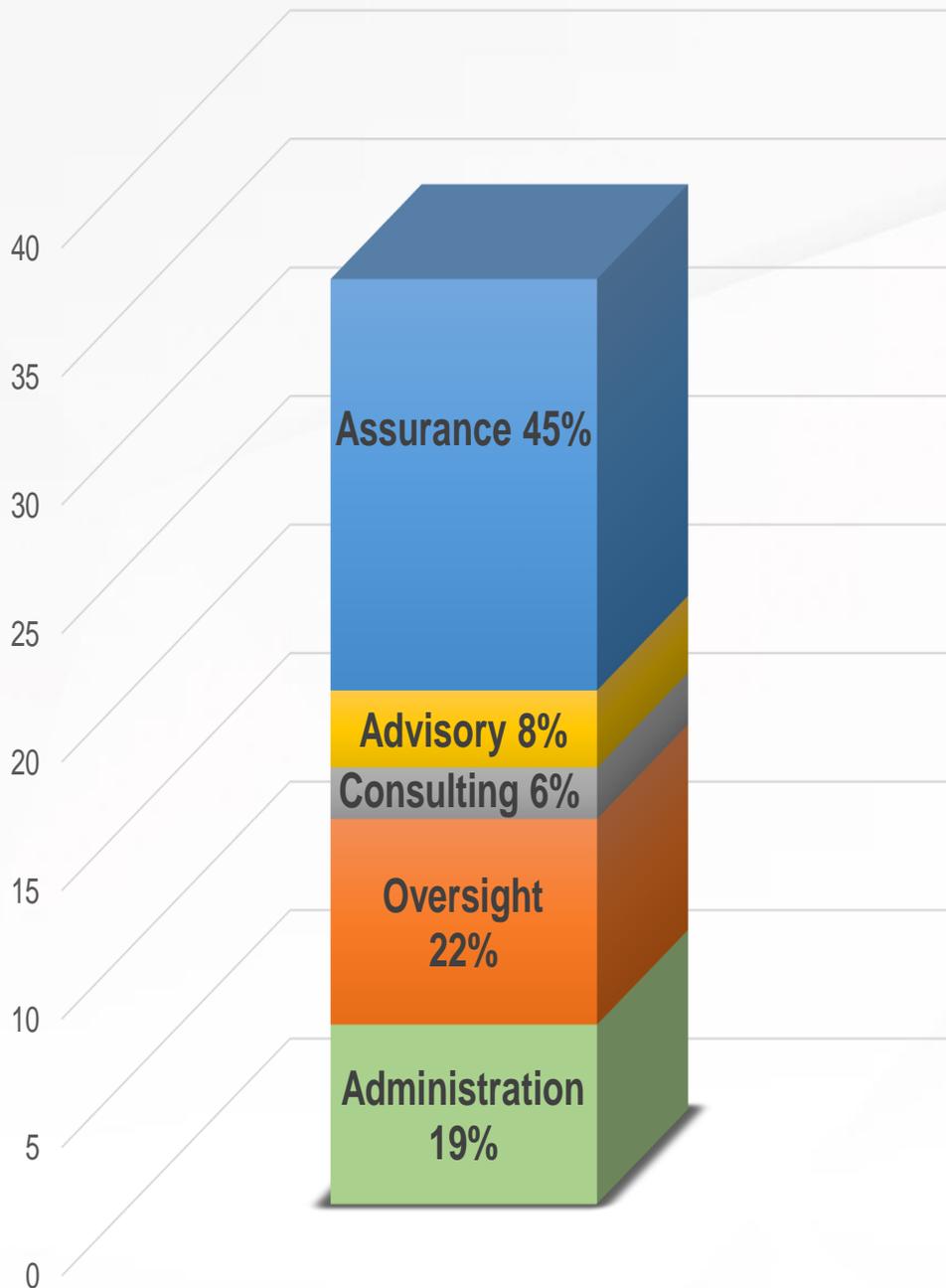
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# FYE 2023 Audit Plan Results

As of August 15, 2023, Internal Audit has completed 33 (79%) of the 42 projects per the FYE 2023 Audit Plan.



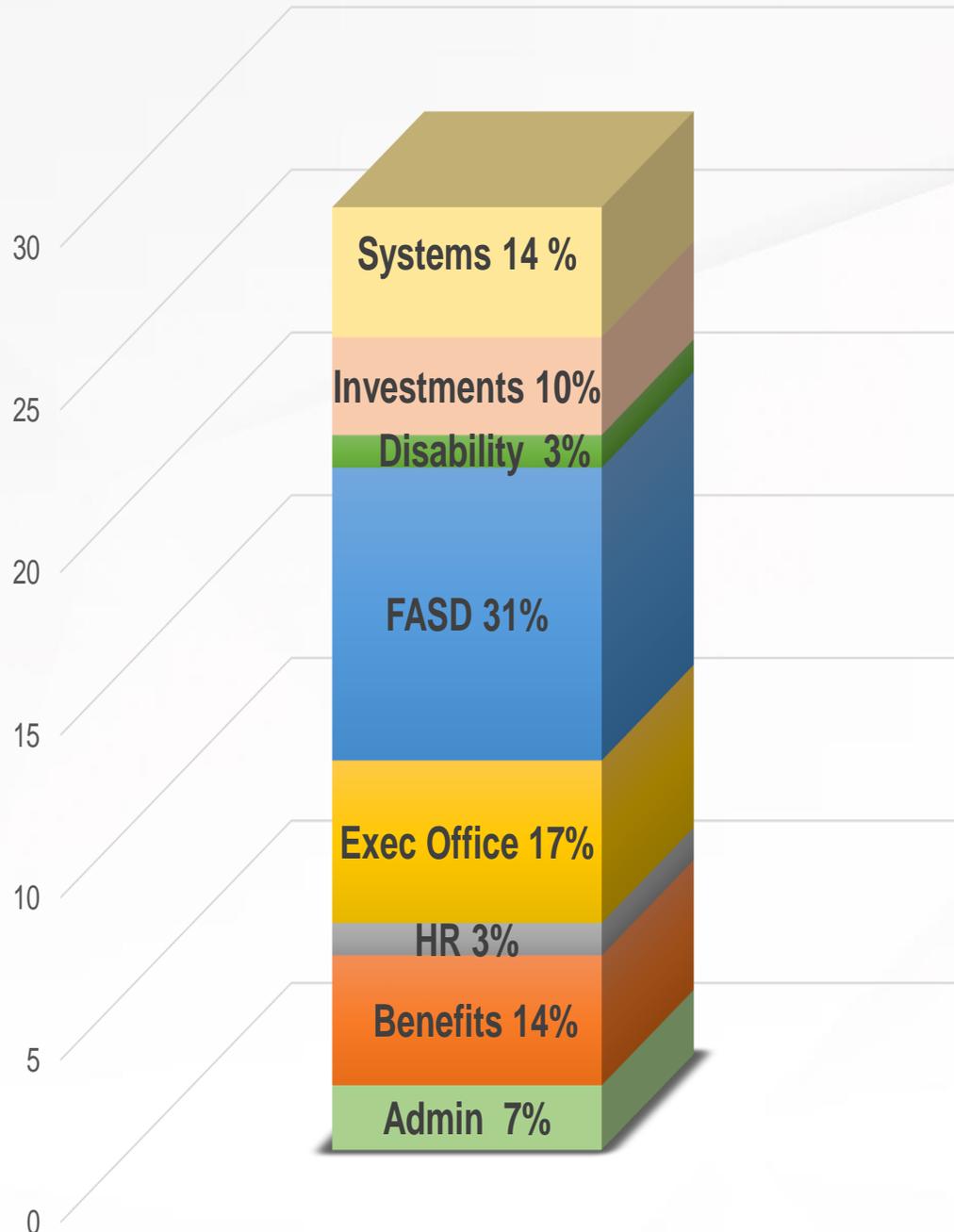
# Coverage and Allocation



Of the 33 completed projects and the three in-progress projects (36 total), Internal Audit provide the following services to the organization:

1. Assurance – to provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the Audit Committee.
2. Advisory – to provide informal advice to Management.
3. Consulting – to provide Management with formal assessments and advice for improving LACERA's governance, risk management, and control processes.
4. Oversight – project administration of external audits, and other significant projects.
5. Internal Administration – necessary duties required to administer internal audit activities.

# Coverage and Allocation

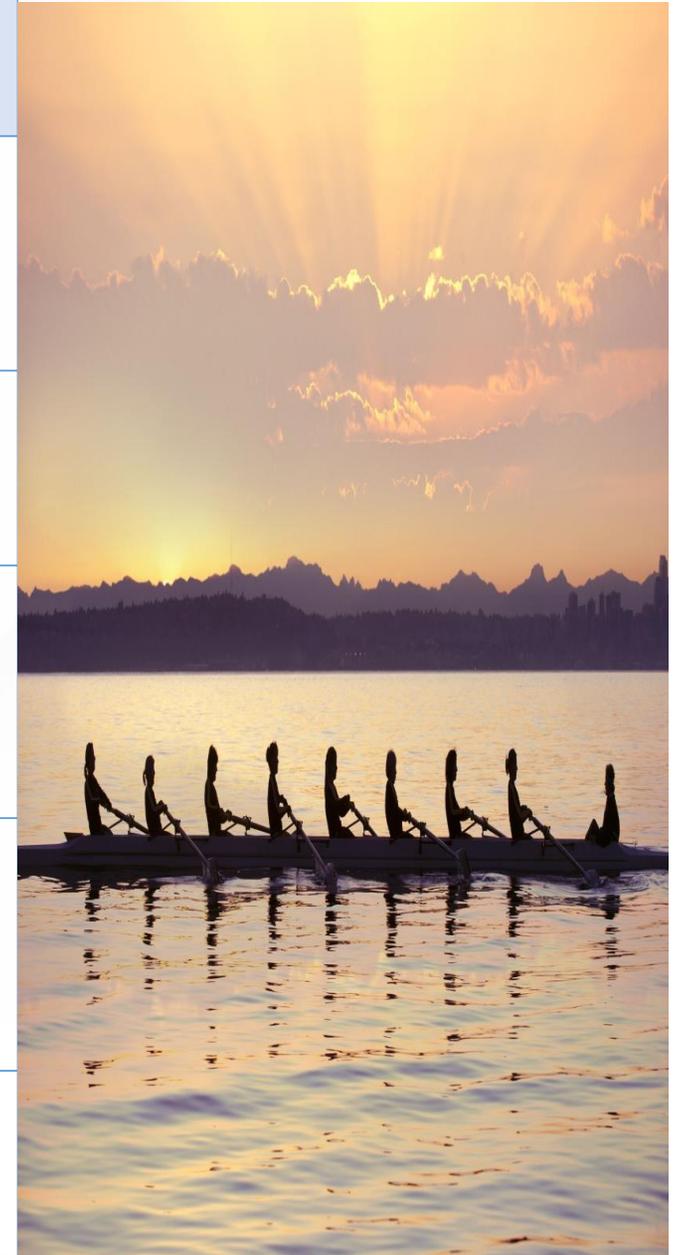


Excluding administrative projects, Internal Audit has addressed 30 projects in eight different divisions.

1. Systems – Four projects completed
2. Investments – Three projects completed
3. Disability Retirement – One project completed
4. FASD – Ten projects completed
5. Executive Office – Six projects completed
6. Human Resources – One project completed
7. Benefits – One project completed
8. Administrative Services (Admin)- Four projects completed

# Summary of Other Advisory Work

Engagement Title	Overview
Policy Committee	Participate in monthly meetings, including the review of draft policies. Worked on sub-committee to research systems solutions and participated on the RFP.
Strategic Planning	Worked on a sub-committee to define Risk and Compliance steps and timelines, and Fiduciary responsibility steps and timelines.
Member Services Voice Authentication Project	Participated in meetings on the development and implementation of adding a voice authentication component to the Member Services call center.
Social Engineering Awareness Training	Provided social engineering awareness training to call center specialists in the Member Services Division and the Retiree Healthcare Division as part of the organization's effort to increase privacy training.
Implementation of Automated Accounts Payable	Participate in the internal stakeholder team meetings on the development and implementation of an automated Accounts Payable solution.



# Transitioning from FYE 2023 to 2024

Remaining Audit Projects per the FYE 2023 Audit Plan as of July 1, 2023	FYE 2023 Audit Plan Status	FYE 2024 Audit Plan Status
LACERA Rehired Retirees	In Progress	Completed
Investment Office's Operational Due Diligence	In Progress	Completed
Organization-wide Credit Card Review	In Progress	Completed
Records and Information Management (fka: Doc Ret)	In Progress	Completed
Replacement Plan 415B	In Progress	Carry-Over
Financial Audit Controls Review	In Progress	Carry-Over
Inventory Asset Management	In Progress	Carry-Over
Death Claims Calculation & Documentation	Pending Start	Roll-Over
Wire Transfers Bank of America	Pending Start	Roll-Over
Termination of Access	Pending Start	Roll-Over
IT Risk Assessment	Pending Start	Roll-Over
Privileged Access	Pending Start	Roll-Over
Felony Forfeiture	Removed From Plan	N/A

# Audit Committee Calendar for FYE 2023

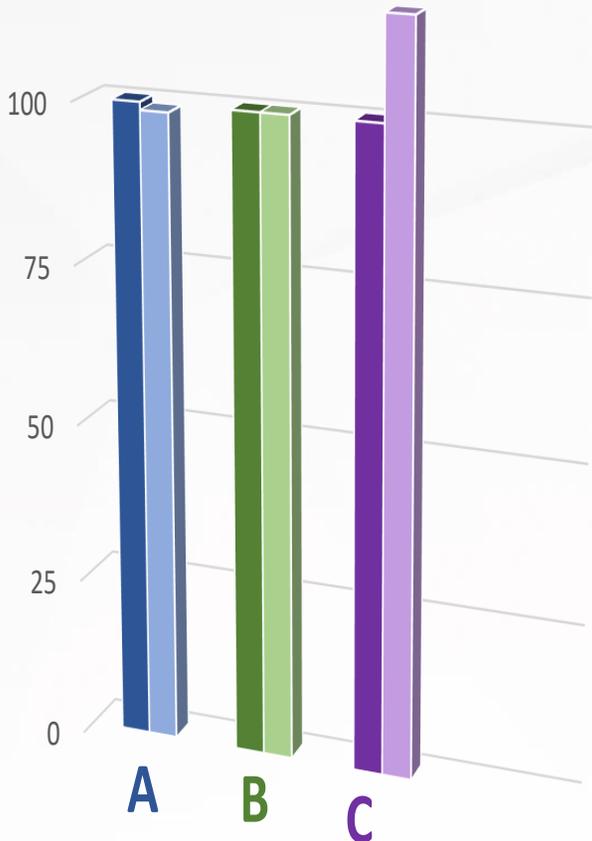
Documentation	Ref to AC Charter	Frequency	Aug-22	Nov-22	Mar-23	Jun-23
Audit Engagement Reports	VII.A.2.a.	Every Mtg	C	C	C	C
Audit Plan Status Update	VII.A.1.d. & VII.A.2.c-d.	Every Mtg	C	C	C	C
Summary of Hotline Investigations	VII.D.3 & VII.E.2.b.	Every Mtg	C	C	C	C
Recommendation Follow-Up Reports	VII.A.2.b.	Every Mtg	C	C	C	C
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 *To be completed December 2023	VII.A.3.a.	Annually				
Internal Audit Annual Performance Report	VII.A.3.b.-c.	Annually	C			
CAE Performance Evaluation	VII.A.4.b.-c.	Annually		C		
Ethics & Values Review	VII.D.1-3.	Annually	C			
Organizational Governance Review	VII.E.	Annually	C			
Compliance Memo from Legal Office	VII.E.4.c.	Annually			C	
Financial Statements, Correspondence, & Presentation	VII.C.1-4.	Annually		C		
Audit Committee Annual Performance Report	VII.F.1.	Annually	C			
Audit Committee Charter	VII.F.4	Every 3rd year	Approved in 2021. Upcoming review 2024			
Approve the appointment and compensation of the External Financial Auditor	VII.B.1	Every 5th year**			C	
Ensure IA has an external quality assessment performed every five years	VII.A.3.d.	Every 5th year	Completed in 2022. Upcoming review 2027 or sooner.			
Provide an open avenue of communication between IA, all Professional Service Providers, Management, and the Boards	VII.F.2	Continuous	C	C	C	C
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		C		C
Review with Professional Service Providers, including the Financial Auditor, and Mgmt the results of the work performed, any findings & recommendations, Mngmt's responses, and actions taken to implement the audit recommendations	VII.B.3	As needed	C	C	C	C
Advise the Boards about any recommendations for the continuous improvement of the internal audit activity	VII.A.3.e.	As needed				
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				

# FYE 2023 Goals

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# Goal #1 – Develop and Execute a Risk-Based Audit Plan

## Goal #1 – Performance



Darker shades reflect goal scale while the lighter shades reflect performance levels

### A. Complete 80% of FYE 2023 Audit Plan

- We completed 79% of our FYE, June 30, 2023 Audit Plan.

### B. Complete annual Risk Assessment

- We completed our Risk Assessment process, and the Audit Committee approved our risk-based Audit Plan for FYE June 30, 2024 at the June 1 meeting.

### C. Expend 70% or more of staff resources on direct assurance, consulting and advisory services.

- We exceed our goal of 70%, spending 81% of staff time on assurance, consulting and advisory services.

## Goal #2 – Continue to Improve Internal Audit's Presence and Value with Key Stakeholders

### A. Provide biannual training to the Audit the Committee

- Staff provided the Audit Committee with orientation training at the first meeting of each calendar year.

### B. Provide MAC/SAC training on internal controls and fraud prevention

- This training has been deferred and may be performed as part of Internal Audit's role beginning in FYE 2024 with the initiating an Enterprise Risk Management (ERM) program at LACERA.

### C. 80% or higher on score from Audit Committee in the performance of audit work

- We received a score of 85% from the Audit Committee

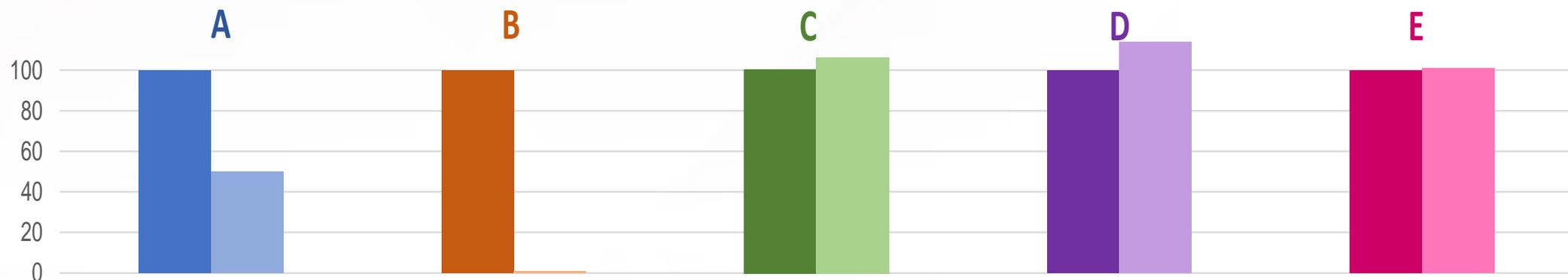
### D. 80% or higher score on Post-Audit Client Surveys

- We received a score of 91% on our post-audit client surveys

### E. 80% or higher score on feedback from Exec Office

- We received a score of 81% from the Executive Office

### Goal #2 – Performance



# Goal #3 - Continue to Enhance Internal Audit's Competency and Efficiencies

## Goal #3 – Performance

**A.** Implement 2022 External Quality Assessment recommendations due this fiscal year

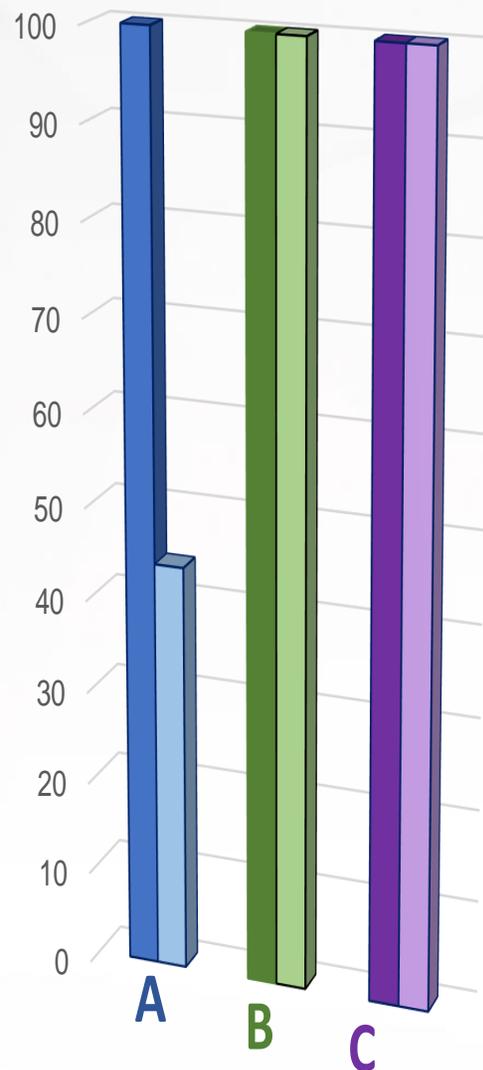
- We have implemented 10 of the 23 EQA recommendations.

**B.** Develop and complete a divisional training plan that strengthens Internal Audit's competencies

- Our divisional training plan as defined by our Operations Guide, provides that each staff person complete at least 40 units of CPE each year.

**C.** Conduct monthly Quality Assessment Improvement Program meetings focusing each month on a different Institute of Internal Auditors Practice Guide

- Our monthly QAIP meetings were replaced in the second half of the Fiscal Year with contracted training directly related to QAIP.

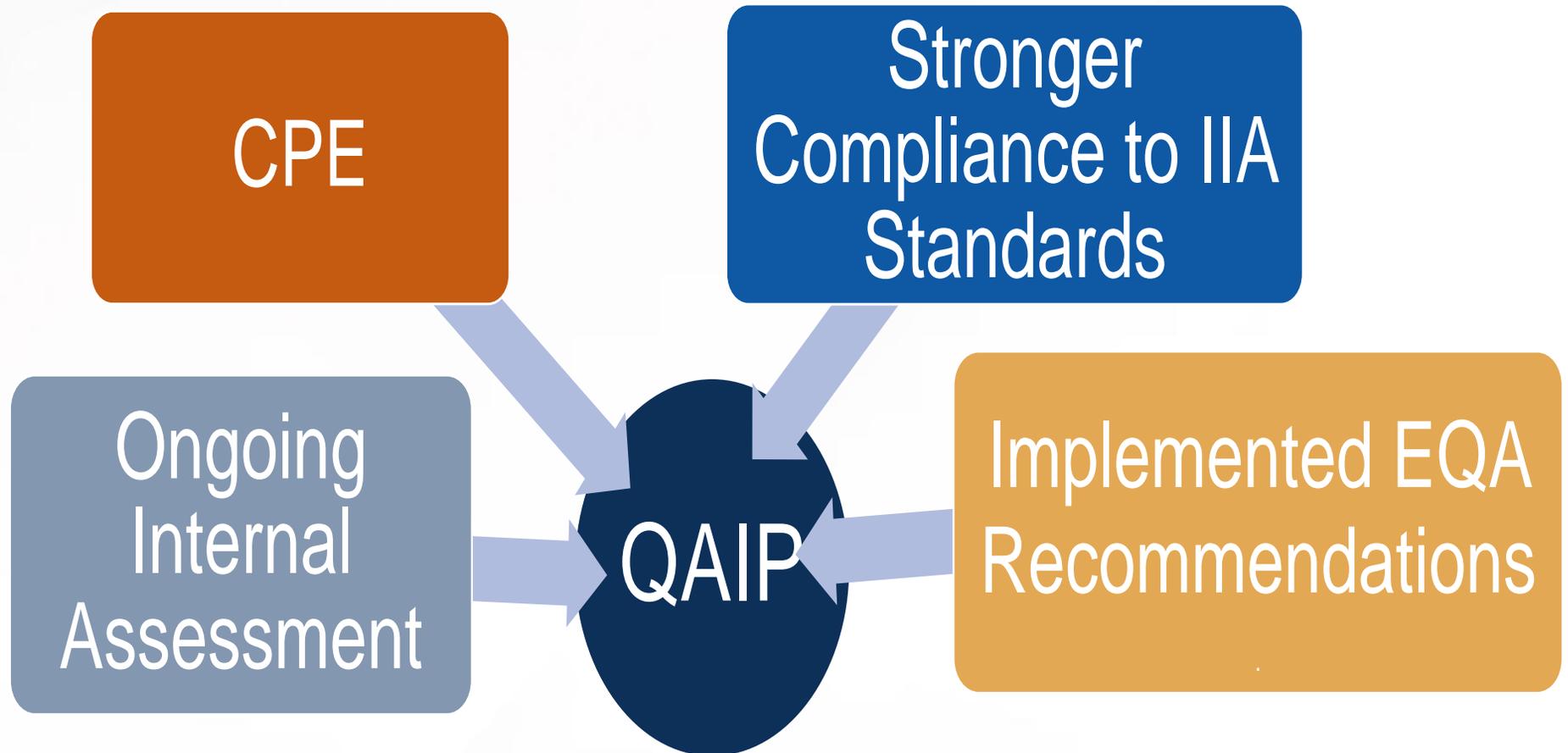


# Quality Assurance and Improvement Program

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# Quality Assurance and Improvement Program

International Standards for the Professional Practice of Internal Auditing requires that Chief Audit Executives develop and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity.



# Internal Audit Periodic Assessment

Key Conformance Criteria	Generally Conform
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 our QAIP, we conducted a Periodic Self-Assessment using an IIA provided template. In our opinion, we generally conform (*the highest rating*) with the IIA's criteria, but we recognize there are areas where we can improve.

During FYE June 30, 2023, Internal Audit (IA) focused on:

- Enhancing the structure and process for audit engagements.
- Improving the reporting structure of Recommendation Follow-Up. Improving auditor competencies.
- Enhancing surveys. Surveys were issued to management, Executive office and Audit Committee to obtain feedback for opportunities for improvement.
- Completing updates to IA Operations Guide to align with current practices.

# Implementing Quality Assessment Recommendations

23 Recommendations were issued from our External Quality Assessment in March 2022

- 10 recommendations have implemented, as of June 30, 2023. The two most recently implemented are as follows:
  - Better define engagement planning
  - Standardize workpapers
- 13 recommendations remain open:
  - Prioritized 5 foundational recommendations. Target Date: December 2023
  - Remaining 8 recommendations relate to strategic planning. Target Post-Foundational



## Foundational Recommendations Milestones

- Ensure more timely review - Target Date: December 2023
- Ensure QC on audits – Target Date: December 2023

# Thank you!

---

QUESTIONS?



August 14, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert H. Griffin

FROM: Richard P. Bendall   
Chief Audit Executive

FOR: August 31, 2023 Audit Committee Meeting

SUBJECT: **Fiscal Year Ended (FYE) 2024 Internal Audit Goals**

Attached are the FYE 2024 Internal Audit Division Goals. To improve efficiency and effectiveness of the Internal Audit function, we are continuing to focus on three primary goals: 1) Develop and Execute a Risk-Based Annual Audit Plan, 2) Continue to Improve Internal Audit's Presence and Value with Stakeholders, and 3) Continue to Enhance Internal Audit's Competence and Efficiencies.

We made minimal changes to these goals from the FYE 2024 goals as these continue to be core to our mission and success. However, we did refine and make changes to some of the performance measures under the goals to ensure that they provide for meaningful measures of success in achieving the overall goals. Attachment A provides a description of each goal and the associated performance measurements.

We gave consideration this year to LACERA's Strategic Plan with the inclusion of enterprise risk management (ERM) in the audit plan and as part of goal number 2.

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

## Internal Audit Goals - FYE 2024

---

### Goal 1: Develop and Execute a Risk-Based Annual Audit Plan that aligns with Organizational Strategic Plan

#### Performance Measures:

- Complete 80% or more of Audit Plan.
- Complete annual Risk Assessment.
- Expend 70% or more of total available staff hours (excluding uncontrollable leave) on direct assurance, consulting, and advisory services.

Estimated Completion Date: June 30, 2024

### Goal 2: Continue to Improve Internal Audit's Presence and Value with Stakeholders

#### Performance Measures:

- Quarterly presentations to MAC on IA key current and upcoming projects.
- Provide training to the Audit Committee at least twice per year in relevant areas of their responsibilities.
- Develop/refine the plan for developing an Enterprise Risk Management (ERM) Program.
- Receive 80% or higher satisfaction score from key stakeholders

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

#### Performance Measures:

- Continue Implementing 2022 External Quality Assessment (EQA) recommendations due this fiscal year.
- Develop and complete a divisional training plan that strengthens Internal Audit's competencies.
- Conduct monthly Quality Assessment Improvement Program (QAIP) meetings focusing each month on a different Institute of Internal Auditors (IIA) Practice Guide.

Estimated Completion Date: June 30, 2024



**FOR INFORMATION ONLY**

July 21, 2023

TO: 2023 Audit Committee  
 Onyx Jones, Chair  
 Keith Knox, Vice Chair  
 Patrick L. Jones, Secretary  
 Jason E. Green  
 Shawn R. Kehoe  
 Antonio Sanchez  
 Gina V. Sanchez

Audit Committee Consultant  
 Robert H. Griffin

FROM: Richard Bendall   
 Chief Audit Executive

FOR: August 31, 2023 Audit Committee Meeting

SUBJECT: **Audit Committee Update - OneMeeting Implementation**

**DISCUSSION**

At the November 17, 2022 Audit Committee Meeting, staff provided the results of the BoardVantage Secure Document Access Review (Attachment A), which reflected three findings (2 - High, 1 - Low). During the time period of the audit, staff was in the process of transitioning from using BoardVantage to implementing the PrimeGov (OneMeeting) application. Thus, the three findings were taken into consideration as part of the OneMeeting implementation.

At the June 1, 2023, Audit Committee meeting, the following overdue audit recommendation was reflected in Item VII. C. Recommendation Follow-Up pertaining to only one of the recommendations from the BoardVantage audit and as part of the OneMeeting implementation:

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
<b>Executive Office</b>					
Board Vantage Security Settings	Expected application access control restrictions were not validated	High	1. LACERA's OneMeeting (PrimeGov) application owners/developers should ensure that during implementation, in the beta phase, when first placed into production, and periodically thereafter, they perform tests of access controls to ensure that the application is appropriately setup and aligned with planned and expected application controls for restricting access to documents to only those authorized and intended to have access. 2. LACERA's Information Security Office should require and ensure that appropriate and available audit trails are built and/turned on, and periodically reviewed for all LACERA [OneMeeting] applications.	<b>OVERDUE</b> - Currently One Meeting (PrimeGov) does not have this type of audit trail. Internal Audit will work with Executive Office and InfoSec to address the risk.	2/28/2023

The above Status Update column should have reflected a status for each of the two Recommendations.

Recommendation #1 did not reflect a Status Update, which had already been implemented at the date of the report and should have reflected the following: *Access controls were developed and thoroughly tested in the OneMeeting application. Furthermore, user access reporting is conducted quarterly to ensure proper security access.*

Recommendation #2 should have reflected the following as of the date of the report: *Audit trails are currently turned on; however, content is limited. Internal Audit and the Executive Office are working with the vendor to enhance reporting capabilities.*

Since a Status Update was not provided for Recommendation #1, this caused confusion and prompted concern by the Committee regarding staff's process for soliciting, selecting, and implementing the OneMeeting application. Thus, the Committee requested that staff report back at its August 31, 2023, meeting with additional information about the implementation process for OneMeeting.

## **BACKGROUND**

At its February 2021 Joint Organizational Governance Committee (JOGC) meeting, the Committee provided input on trustee requirements for a new system, which included Board and Committee recordings, online archives, and public interface features, such as recording timestamps. To find the best solution, LACERA issued a Request for Information ("RFI") in April 2021 for an agenda management, viewing of final meeting material, recordings, online archives, and public interface solution that would streamline the manual Board document processes in place at the time, improve boardroom technology, and enhance transparency for all stakeholders.

The evaluation team for the RFI was comprised of members from the Executive Office, Internal Audit, Communications, Legal, Disability Retirement, and the Systems Division. The evaluation team received responses from seven vendors and staff were provided with a demonstration by each vendor. The team rated each vendor based on criteria which included, but was not limited to product tools, features, capabilities, flexibility in customization, document security parameters, integration, ease of use, implementation process, and customer service support. The team then narrowed the original list to the top two providers, PrimeGov (OneMeeting) and Granicus, and proceeded with reviewing client references.

During this time, the team evaluated and compared the current application, Nasdaq Board Vantage to OneMeeting and Granicus, and determined that Board Vantage did not adequately address LACERA's identified needs in comparison to the two other products. Upon further discussion, the evaluation team determined that OneMeeting would be the best solution, due to its focus on a long history of services to numerous government entities through a single platform solution. The Information Security Office also performed an assessment and due diligence on the vendor of choice and provided their assurance regarding their security practices.

Consequently, the team deemed it to be the best solution to streamline internal processes for preparing and storing board and committee materials as well as the best solution for presenting and viewing final board/committee materials.

Therefore, after reviewing the references, staff recommended to the Joint Organizational Governance Committee in December 2021 and Operations Oversight Committee in February 2022 to proceed with OneMeeting. At its March 2022 meeting, the Board of Retirement (BOR) approved the staff recommendation of selecting OneMeeting (Attachment B). In late March 2022, RockSolid, which was one of the seven vendors, acquired PrimeGov and its OneMeeting application. Subsequently in October 2022, RockSolid merged with Granicus, the second highest rated vendor and now goes under the name of Granicus.

Staff, with the participation of the evaluation team, worked on the implementation of OneMeeting from April to December 2022. The development and implementation process included user testing and extensive document testing around security levels with all stakeholders. During this time, staff tested the audit features provided by the application and requested feature enhancements which are pending. Staff also solicited feedback during implementation from users including Trustees and continue to request application enhancements to better the user experience. In January 2023, staff went live with the application. Requests for enhancements have continued since January to the present time, with staff testing new features and receiving periodic updates. Staff also followed up on the pace of enhancements and requested that they be implemented as soon as possible to address Trustee interface requirements.

## **TECHNICAL AUDIT**

To further address the concerns of the Audit Committee at the June 2023 meeting, Internal Audit engaged Net Force, a firm within Internal Audit's pool, to perform a technical application audit of OneMeeting. The primary objectives of the audit were to assess the controls within OneMeeting to ensure the security and confidentiality of documents and to ensure that access to the various security levels is restricted to only those authorized. The audit is also intended to provide the Committee and the boards with further assurance around the integrity of staff's implementation of OneMeeting. The Net Force team began its review in late July and is expected to conclude it by the end of August.

Internal Audit plans to perform a further review of the OneMeeting application in FY 2024/25 to include a review of the full process following a full year of implementation.

## **CONCLUSION**

Staff underwent a robust process of identifying and evaluating viable alternatives and selecting OneMeeting as the most comprehensive solution for LACERA's needs, including Trustee and staff requirements. The information provided, along with the ongoing efforts by staff to further refine and develop the processes and procedures around the application, should provide the Audit Committee the assurance you requested regarding the application. We will update the Committee further once the results of the 2024 technical audit of the application is completed.

Audit Committee Update - OneMeeting Implementation

July 21, 2023

Page 4 of 4

Attachment A – Audit Report: BoardVantage Secure Document Access Review

Attachment B - Board of Retirement (cc: Board of Investments): OneMeeting Selection Memo

RPB:rb

# Attachment A

Audit Report: BoardVantage Secure Document Access Review



October 28, 2022

TO: 2022 Audit Committee  
Gina V. Sanchez, Chair  
Joseph Kelly, Vice Chair  
Patrick L. Jones, Secretary  
Alan J. Bernstein  
Keith Knox  
Wayne Moore  
Herman B. Santos

Audit Committee Consultant  
Robert H. Griffin

FROM: George Lunde *GL*  
Senior Internal Auditor

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **BoardVantage Secure Document Access Review**

## **RECOMMENDATION**

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

1. Accept and file report,
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.

## **ENGAGEMENT REPORT**

### **a. BoardVantage Secure Document Access Review**

George Lunde, Senior Internal Auditor  
(Report Issued: October 21, 2022)

Attachment

GL

Noted and Reviewed:

Richard P. Bendall  
Chief Audit Executive



**INTERNAL AUDIT DIVISION**

**BoardVantage Secure Document Access Review  
2022 09**

October 21, 2022

**Audit Performed By:**  
George Lunde, Senior Internal Auditor

## AUDIT REPORT

<b>Audit Name:</b>	BoardVantage Secure Document Access Review
<b>Division:</b>	Systems Division and Executive Office
<b>Audit Rating:</b>	Opportunities for Improvement
<b>Prior Audit Rating*:</b>	None
<b>Prior Report Date:</b>	None

### BACKGROUND

As part of our 2021-2022 audit plan, Internal Audit committed to a review of the Nasdaq BoardVantage (BV) application. BV is a vendor cloud-based software application acquired in 2011 by LACERA's System Division and in 2018 the Executive Office began to manage user access. It provides for a secure application on which Trustees and authorized staff can view board and committee documents. This review was included in our audit plan due to concern raised by the prior Audit Committee Chair. Upon returning as the elected retired member on the Board of Investments (BOI), he noted that he had access to restricted Board of Retirement (BOR) materials, not normally provided to BOI trustees.

There are two LACERA developed applications that support the BV application and contains all seven levels of security documents that are included on BV. These are Board Packages (BP) and Board Notes (BN).

The Executive Board Assistants use the BP application to organize board documents into public and confidential agenda item packets for board and committee meetings before transferring them to BV. Executive staff use BN for the retention of board and committee documents.

At the March 2, 2022 meeting, the BOR approved the selection of Prime Government Solutions, Inc. (PrimeGov), now called OneMeeting, a single, self-contained application that will replace BV, BP and BN. Therefore, since these applications are expected to be retired upon the implementation of PrimeGov, toward the end of the 2022 calendar year, we limited the scope of this review.

We began by obtaining an understanding of the circumstances around the reported issue of the BOI trustee having unauthorized access to restricted BOR materials and the action taken to correct and prevent further such incidents.

Based on interviews of staff and review of internal records, we determined that staff had appropriately removed the Trustee's access in 2019 when the Trustee retired. However, when the Trustee returned to service as an elected retiree on the BOI, an error occurred in adding access to BV resulting in the unauthorized access. Subsequent to the BOI Trustee raising this issue, the Executive Board Assistants implemented a review to reconcile and validate that Systems added the appropriate access for both Trustees and staff. We validated that they continue to perform these reviews and believe this will be effective in ensuring similar errors do not occur for the remaining few months life of the BV application at LACERA.

Our review scope extended to all three applications, BV, BP and BN focused on understanding and validating the controls in place to ensure that access to confidential documents was restricted to view by only authorized staff and trustees.

## AUDIT OBJECTIVE & SCOPE

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After preliminary research and analysis, including an engagement-level risk assessment, the objective(s) of this audit were to:

- Evaluate the controls around the BV application, including controls around the process of adding, deleting, and assigning trustees and staff access to documents to which they have been preauthorized to view.
- Obtain an understanding of the BP and BN applications relationship and function related to the BV application and specifically how the security of the documents is protected from unauthorized access on these applications.

The scope of the review covered the period from January 1, 2021 to the present.

The audit was performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

## AUDIT RATING & SUMMARY OF FINDINGS

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We concluded that there are **Opportunities for Improvement** in the key controls over the BV application and the related BP and BN applications related to strengthening assurance that access to confidential documents is restricted only to those Trustees and staff authorized to have access.

Specifically, we found:

- Application owners should perform a validation of expected controls after the application setup is completed.
- Audit trails should be turned on and reviewed for all applications, particularly those that contain private member or other confidential information.
- The policy within which the Executive Board Assistants document Trustee and staff pre-authorized access levels should be continuously updated and kept current.

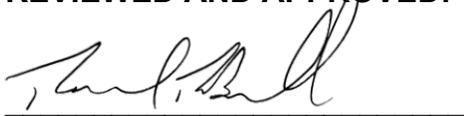
**Summary of Findings**

<b>Finding #</b>	<b>Page</b>	<b>Description of Finding</b>	<b>Risk Rating**</b>
F1	4	Expected BV application access control restrictions were not validated, and audit trails were not turned on.	High
F2	6	Supporting application (BP and BN) access was not appropriately restricted and audit trails were not fully functional and periodically reviewed.	High
F3	8	The Policy documenting Trustee and staff pre-authorized access to the seven levels of document security is not kept current.	Low

Each of the above Findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We would like to thank Executive Office and Systems Division staff for their cooperation and assistance with this audit.

**REVIEWED AND APPROVED:**



**Date:** October 21, 2022

Richard P. Bendall  
 Chief Audit Executive

**REPORT DISTRIBUTION**

2022 Audit Committee	Santos H. Kreimann, CEO	Bonnie Nolley, Executive Board Assistant
2022 Plante Moran Audit Team	Luis Lugo, DCEO	Linda El-Farra, Executive Board Assistant
Robert Griffin, Audit Committee Consultant	JJ Popowich, AEO Laura Guglielmo, AEO	Kathy Delino, Systems Division
Internal Audit Group	Steven P. Rice, Chief Legal Counsel	Bob Schlotfeldt, CISO

\*\* See Appendix 2 for Finding's Risk Rating

## FINDING # 1

Expected application document access control restrictions were not validated and audit trails were not turned on.	<b>Risk Rating**</b> High
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## OBSERVATION

We determined that only the two Executive Board Assistants and the CEO are supposed to have access to all seven security levels of documents in LACERA. All other authorizations of staff access are managed by the Executive Board Assistants through a dynamic Policy. Additions of Trustees or staff to any restricted security levels are approved by the CEO. Further an appropriate segregation of duties exists as the Systems Division (Systems) BV Administrator is the only person that can add Trustees or staff to BV and assign them to the board(s) or committee(s) based on an authorization email, from the Executive Board Assistants with a copy to the CEO.

The Executive Board Assistants understood during the implementation of the BV application that the Systems BV Administrator did not have access to view restricted BOR documents. However, we learned and confirmed during the review, the Systems BV Administrator did have access to some restricted security level documents to which he was not authorized to have access.

Upon meeting together with the Executive Board Assistants, the Systems BV Administrator and the Nasdaq BV technical representative, we determined that the access was the result of a misunderstanding of how the application setup aligned with LACERA's control requirements in the initial application setup. While a thorough application control test may have identified the problem after the setup, any such testing did not reveal the error.

Also, BV audit trail access was not turned on during the application implementation phase and made available to the Executive Board Assistants. Had those trails been available and periodically reviewed by the Executive Board Assistants, they would have had the ability to identify any unauthorized access to secure documents.

The BV technical representative immediately corrected the setup that restricted the Systems BV Administrator from access to the secured documents and, also turned on the reporting function of the audit trails, which the Executive Board Assistants can now access, including retroactive logs. While the review was not an investigation, we did review a sample of audit logs and did not determine any unauthorized access. More importantly, we ensured that the controls are currently in place for the BV application for the short remainder of its use by LACERA, to ensure that access to documents is restricted to those authorized to see them.

## RISK

As evidenced by our review, the risk of not validating expected controls after new applications are implemented is that actual controls may not align with expectations and ultimately could result in control failures. The risk of not turning on and ensuring that available application audit logs are periodically reviewed is the loss of the ability to identify unauthorized transactions (access) and potentially identify flaws in the control setup of the application.

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\*\* See Appendix 2 for Finding's Risk Rating

## RECOMMENDATION

1. LACERA's OneMeeting (PrimeGov) application owners/developers should ensure that during implementation, in the beta phase, when first placed into production, and periodically thereafter, they perform tests of access controls to ensure that the application is appropriately setup and aligned with planned and expected application controls for restricting access to documents to only those authorized and intended to have access.
2. LACERA's Information Security Office should require and ensure that appropriate and available audit trails are built in/turned on and periodically reviewed for all LACERA applications.

## MANAGEMENT'S RESPONSE

1. Management agrees with the findings and recommendations. Staff is currently in the implementation process for the OneMeeting application and user testing is currently underway. Application controls are being tested around security level access and document authorization. Application ownership has been clearly identified and content ownership limited to the Executive Office. Office manuals and desk procedures will be designed to clearly identify access controls and periodic audit testing.
2. The new OneMeeting application will have the audit trail functionality turned on. Furthermore, the Information Security organization is in process of developing and publishing for approval an **Audit and Accountability Policy**. This policy will require the activation of security and access logging and audit trails for all systems within the LACERA infrastructure. Additionally, the policy will specify that the respective application/system owners are responsible for the periodic review and affirmation of the systems and access audit logs. Note: this policy is in development for presentation to the LACERA Policy Committee and estimate approval before February 2023.

## TARGET COMPLETION DATE

Issue #1 - February 28, 2023

Issue #2 - February 28, 2023

## FINDING # 2

Supporting application access was not appropriately restricted and audit trails were not fully functional and periodically reviewed.	<b>Risk Rating**</b>
	High

## OBSERVATION

Although not anticipated in our original scope of the review, we determined during our preliminary review that there are two additional applications associated with the Board Vantage application. These are:

- a. Board Packages – Board Packages (BP) is a LACERA in-house application. It is used by Executive Office staff to organize board documents into public and confidential agenda item packets for board and committee meetings. The staff then transfer these packets to the BV application and the Board Notes application.
- b. Board Notes - Board Notes (BN) is another LACERA developed application where all LACERA board and committee documents are retained.

Both applications have user access and password controls and document access security level restrictions in place.

Read and Write access to the BP application was intended to be limited to the two Executive Board Assistants and two Systems Division staff. During the review, we identified a third Systems Division staff person with access to the application.

We also determined that while audit trails of document activity are captured in BP, they are not in BN and audit trail logging of user access has not been activated in either application.

Common business security practices require logging of access events relevant to the privacy of individuals and the security of confidential documents. Audit logs of all users accessing confidential material should be readily available to enable audit or forensic reviews. Audit logging of access to confidential documents should be turned on for LACERA applications, whether the application is acquired or developed in-house.

## RISK

Unauthorized user access to confidential documents could go undetected for an extended period and could impact operations by exposing private personnel information or confidential board business matters.

## RECOMMENDATION

LACERA's OneMeeting (PrimeGov) application owners/developers should ensure the new PrimeGov cloud-based web application has audit logging functions in place when confidential documents are accessed. Audit trail reports should be automatically generated to notify the Executive staff of users accessing confidential documents.

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\*\* See Appendix 2 for Finding's Risk Rating

### **MANAGEMENT'S RESPONSE**

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Management agrees with this finding and recommendation. The OneMeeting (PrimeGov) application provides user and audit reporting accessible to application owners. All deficiencies in the BoardVantage system have been addressed including turning on the audit functions and blocking unauthorized users from gaining access to sensitive documents. Procedures will include quarterly reporting and auditing with any findings reported to Executive Management.

### **TARGET COMPLETION DATE**

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February 28, 2023

### FINDING # 3

The Policy documenting staff and trustee pre-authorized access to the seven levels of document security is not kept current.	<b>Risk Rating**</b>
	Low

### OBSERVATION

During interviews and discussion of user access to confidential board documents with the Executive Board Assistants, we found they had developed a good defined and documented process for access authorizations. However, in reviewing user lists in the Policy and application access lists with Executive staff we noted there were terminated staff users on both lists. They indicated they are not always made aware of staff terminations to update the lists in the Policy.

There are 100 users across the three repositories of board documents, BoardVantage (BV), Board Packages (BP) and BoardNotes (BN). Additionally, there are six privileged users with administrative access. Validation reviews of BV, BP, and BN user access lists and security assignments should be performed on scheduled basis to provide assurance that access to confidential documents is restricted to only those authorized in accordance with policies in effect.

### RISK

This finding risk is rated low since BP and BN applications accessed by LACERA staff reside on LACERA's internal network and the staff termination process, if completed timely, removes their network access credentials. Application access lists should still be updated to reflect the inactivation, as a matter of good housekeeping, and further reduce the risk of unauthorized user access to confidential documents.

### RECOMMENDATION

Executive Board Assistants should ensure the new OneMeeting (PrimeGov) cloud-based web application incorporates reports each month on user access changes, to confirm access controls for viewing confidential documents are in place and the application appropriately restricts access to only authorized individuals.

### MANAGEMENT'S RESPONSE

Management agrees with this finding and recommendation. Consolidating three applications into one application will provide better control of user access. Implementation of OneMeeting (PrimeGov) includes process changes that will mitigate this finding. This includes but is not limited to updating the Systems Employee Access Form (SEAF) to include access request for the OneMeeting application. This will ensure proper documentation is properly reviewed, approved, and process. Furthermore, requesting that the Board Offices are added to HR's notification of staff termination. This will ensure that immediate action to deactivate a user is completed timely. The deployment of OneMeeting will consolidate multiple applications and will include controls and safeguards identified in the Audit report. This new application will be fully implemented by February 28, 2023.

### TARGET COMPLETION DATE

February 28, 2023

\*\* See Appendix 2 for Finding's Risk Rating

## **APPENDIX 1**

### **AUDIT RATING SCALE**

Internal Audit issues three standard audit report evaluations as defined below:

#### **Satisfactory**

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

#### **Opportunities for Improvement**

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

#### **Unsatisfactory**

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

**APPENDIX 2**  
**FINDING'S RISK RATING SCALE**

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

<b>Rating</b>	<b>Financial</b>	<b>Internal Controls</b>	<b>Compliance</b>	<b>Reputational</b>	<b>Executive Management</b>
<b>High</b>	<p>Large financial impact to LACERA or members</p> <p>Actions not aligned with fiduciary responsibilities</p>	<p>Missing or inadequate key internal controls</p> <p>Not adequate to identify fraud, noncompliance or misappropriation</p>	<p>Noncompliance with applicable Federal or state laws or LACERA's policies</p>	<p>High probability for external audit issues and/or negative public perception</p>	<p>Important critical business process identified by Exec Office</p> <p>Requires immediate attention</p>
<b>Medium</b>	<p>Moderate financial risk to LACERA or members</p> <p>Actions could be better aligned with fiduciary responsibilities</p>	<p>Partial key internal controls</p> <p>Not adequate to identify noncompliance or misappropriation in timely manner</p>	<p>Inconsistent compliance with applicable Federal or state laws or LACERA's policies</p>	<p>Potential for external audit issues and/or negative public perception</p>	<p>Relatively important</p> <p>May or may not require immediate attention</p>
<b>Low</b>	<p>Low financial impact to LACERA or members</p>	<p>Internal controls in place but not consistently efficient/effective</p> <p>Implementing / enhancing controls could prevent future problems</p>	<p>General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist</p>	<p>Low probability for external audit issues and/or negative public perception</p>	<p>Lower significance</p> <p>Does not require immediate attention</p>



# **BoardVantage Secure Document Access Review October 21, 2022**

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**George Lunde, Senior Internal Auditor**

# Summary of Engagement



Responsible Division:	Systems Division and Executive Office
Type of Engagement:	Assurance
Audit Rating:	Opportunities for Improvement
Prior Audit Rating:	None

## Type of Engagements

**Assurance:** 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.

**Consulting:** Collaborate with Management to provide a formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

**Advisory:** Provide Management with informal advice.

# Background, Objective, Scope



## Background

The Nasdaq BoardVantage (BV) application is a vendor cloud-based software application acquired by LACERA in 2011, to provide a secure means for Trustees and authorized staff to view board and committee documents. This review was included in our audit plan due to concern raised by the prior Audit Committee Chair. Upon returning as an elected retired member on the Board of Investments (BOI) he noted that he had access to restricted Board of Retirement (BOR) materials, not normally provided to BOI trustees.

## Objectives

We developed the following objectives for our review of BV:

1. Evaluate controls around the BV application, including controls around the process of adding, deleting, and assigning access
2. Obtain an understanding of the Board Packages (BP) and Board Notes (BN) applications relationship and function related to BV and specifically how documents are protected from unauthorized access on these applications



## Scope

The scope of this engagement covered the period from January 1, 2021 to the present.

# Summary of Findings



Finding #	Title of Finding	Rating
1	<p>Issue: Expected BV application access control restrictions were not validated, and audit trails were not turned on</p> <p>Management response: Agreed – OneMeeting is currently being implemented with comprehensive access controls and audit trails</p>	High
2	<p>Issue: Supporting application (BP and BN) access was not appropriately restricted and audit trails were not fully functional and periodically reviewed</p> <p>Management response: Agreed – OneMeeting is currently being implemented with comprehensive access controls and audit trail reports sent to Executive staff for review</p>	High
3	<p>Issue: The Policy documenting Trustee and staff pre-authorized access to the seven levels of document security is not kept current</p> <p>Management response: Agreed – With the implementation of OneMeeting new processes have been developed and documented to ensure access listings are kept current</p>	Low

# Thank You!



## Internal Audit

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Questions?

[glunde@lacera.com](mailto:glunde@lacera.com) | 626-524-3521

# Attachment B

Board of Retirement: OneMeeting Selection Memo

February 2, 2022

TO: Each Trustee  
Board of Retirement

FROM: Operations Oversight Committee  
Alan Bernstein, Chair  
Herman B. Santos, Vice Chair  
Keith Knox  
Antonio Sanchez  
JP Harris, Alternate

FOR: March 2, 2022 Board of Retirement Meeting

SUBJECT: **BOARD & COMMITTEE AGENDA MANAGEMENT, RECORDINGS, ONLINE ARCHIVES, AND PUBLIC INTERFACE**

## **RECOMMENDATION**

That the Board of Retirement (Board) approve to utilize and contract with Prime Government Solutions, Inc., ("[PrimeGov](#)") for the management of both Boards and all Committee meetings, including agenda management, livestreaming, recordings, online archives, and a public interface solution, with an indefinite retention period for archiving the audio and visual recordings.

## **BACKGROUND**

Currently, all facets of managing, conducting, and livestreaming Board and Committee meetings are accomplished using manual processes and meeting recordings are not available online. The main tasks of these manual processes are supported by the Executive Board Assistants and Systems staff. To enhance this process, LACERA is looking to implement a more effective meeting management tool to help streamline the planning and conducting of Board meetings while improving transparency and public access.

The following lists some of the manual processes used currently to conduct LACERA'S Board and Committee meetings:

- Meeting Materials: Agenda and item creation, review, and approval; and distribution of meeting materials to the Trustees, staff, and consultants.
- In-Meeting Management: Livestreaming, recording, roll call, motions, actions, votes, trustee queue, and public comments.
- Post Meeting Management: Preparation of minutes; and archiving recordings internally. Public records requests for recordings are handled manually via a link or DVD (which is the media currently available for pre-2020 meetings).

All the items above can be streamlined using a tool such as PrimeGov to manage meetings and improve transparency and public access. For additional background information, a memo from the February 24, 2021 JOGC meeting on this topic is attached (Attachment A). The JOGC memo for its meeting on April 22, 2021 (Attachment B) was placed on the agenda but pulled by staff for further development.

Staff completed its due diligence as described more fully below and presented a plan to the Operations Oversight Committee at its February 2, 2022 meeting for discussion and recommendation.

### **LEGAL AUTHORITY**

The management of board meetings, and the process related thereto, is within the plenary authority and exclusive fiduciary responsibility of the Board over administration of the system under Article XVI, Section 17 of the California Constitution.

In regard to posting and archiving of Board and Committee recordings, the Board has the legal authority, but not the obligation, to publicly broadcast or record their open meetings by audio or video. If recordings of an open meeting are made, they are considered public records under the Brown Act and the Public Records Act. Government Code Section 54953.5(b) in the Brown Act provides:

Any audio or video recording of an open and public meeting made for whatever purpose by or at the direction of the local agency shall be subject to inspection pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1), but, notwithstanding Section 34090, may be erased or destroyed 30 days after the recording. Any inspection of an audio or video recording shall be provided without charge on equipment made available by the local agency.

Closed session meetings are confidential, unless the Board grants specific authorization for public release, under Government Code Section 54963 of the Brown Act. Accordingly, closed session meetings will not be subject to public broadcasting or archiving if the Board determines to implement such a proposal.

### **DISCUSSION**

#### *Evaluation Process*

To find the best solution that would streamline the manual Board document process, improve boardroom technology, and enhance transparency for all stakeholders, LACERA issued a Request for Information (“RFI”) in April 2021 for an agenda management, recordings, online archives, and public interface solution.

The evaluation team was spearheaded by the Executive Board Assistants and included members from Executive, Communications, Legal, and Systems Divisions. The evaluation team received responses from Diligent iCompass, eSCRIBE, Granicus, Hyland, PrimeGov, and Provox and staff were provided a demonstration by each vendor.

The team then rated each vendor based on criteria which included but were not limited to product tools, features, capabilities, flexibility in customization, integration, ease of use, implementation process, and customer service support. Based on initial review of the RFI responses, price proposals were requested from Granicus, iCompass, and PrimeGov. The team then narrowed the original list to the top two providers, PrimeGov and Granicus, and proceeded with client references. In addition, staff also reviewed the current application, Nasdaq Boardvantage, currently used for distributing Board and Committee materials electronically. The evaluation team concluded that the current solution does not address all of LACERA's identified needs.

Therefore, after reviewing the references and further discussions with the evaluation team, the Committee recommends proceeding with PrimeGov due its focus on catering its services to government entities in a single platform solution, flexible configurability, and its ease of use.

*Prime Government Solutions, Inc., ([PrimeGov](#))*

PrimeGov offers a cloud-based solution and has been designed with mobile-first technology allowing users to access the system from any device that has a web browser. PrimeGov facilitates staff's processes from beginning to end utilizing one application and provides flexibility in process configurations. The PrimeGov solution also provides tools and resources for all stakeholders including Trustees, members, the public, and staff. It enhances public engagement by providing the members of the public with features such as subscribing for meeting notices and updates, livestreaming, facilitating public records requests, requests to speak during a meeting, and streamlining the meeting management processes such as roll call, motions, and voting. PrimeGov provides a solution that will allow for the management of LACERA's Board and Committee meetings to be completed more efficiently and assist in the accuracy of Board votes and actions, recording minutes, and improved public access, including posting of agendas, livestreaming of meetings, public comment, and archiving of recordings so they are available on lacera.com.

In March 2021, PrimeGov and Rock Solid Technology joined forces with the primary goal of enhancing the future of civic engagement and digital transformation of local government. This merger has provided an opportunity to provide new capabilities to facilitate the legislative management process including, agenda automation, committee management, and virtual meetings. Together, both companies support over 180 local government agencies. For more information on the merger, the press release is attached for reference (Attachment C). The references did not state that there was any change in quality of service after the merger.

PrimeGov's RFI response is attached (Attachment D). The RFI and the process mentioned above that led to the recommendation made in this memo took a conservative approach under LACERA's Policy for Purchasing Goods and Services ("Procurement Policy"). A full RFI procurement process, including cost proposals from the top three companies as noted above, was conducted under Section 13.2.1.C of the policy, which requires three proposals and due diligence. The total value of the contract (three-year term, with a first-year cost of \$37,045 with a 5% increase in years 2 (or \$38,897.25) and

3, plus \$8,190.20 in one-time costs) is less than \$150,000, and therefore it is within the CEO's authority. However, the contract is brought to the Board for recommendation and approval because of its organizational significance, including Board impact.

PrimeGov offers the following features and meeting tools:

- Secure Annotation Features: Highlighting, drawing, text/comment box, post it capability that can only be viewed by the user.
- Document Library Capability for Policies.
- Virtual meeting support via Zoom integrations.
- Allow constituents to sign up to speak on meeting items during Public Comment.
- Capture roll call, minutes, votes, and actions quickly and easily.
- Manage speaker lists, facilitate public comments, and automatically time speakers.
- Live video streaming with timestamps to produce an indexed video recording.
- Public meeting display to share active item, motion, vote, and speaker information.
- Advanced search parameters of meeting materials for the public and Trustees.

The following provides additional product details that are included in the PrimeGov solution being recommended:

- Agenda Automation
  - Ability to create agendas, packets, and summaries; design workflow steps for agenda/item collaboration; track agenda items throughout the review process; and search tools for archived meeting materials. This automation will streamline the agenda creation process, saving valuable time during the creation and approval of agenda process.
- Committee Manager
  - Track trustee appointments, recordkeeping, terms, bios and misc. information.
- Community Engagement
  - Ability to allow the public to subscribe to meeting updates, livestreaming of meetings, and access meeting recordings and other public records. In addition, the ability for the public to provide oral and/or written public comments is made available.
- Meeting Management
  - Ability to distribute meeting material and capture timestamps, roll call, minutes, motions, votes, and actions during the meeting for meeting participants to see. Board material distribution to trustees will include full secured annotation features for the user, such as highlighting, drawing, sticky notes, and text box options for typed comments. This
  - The PrimeGov portal for Board materials is web-based and can be accessed through a desktop, laptop, and/or tablet.

- Livestreaming and Archiving
  - Ability to provide livestream, recordings, and archive of historical recordings on lacera.com, agendas, and meeting materials. Recordings include high-definition and Americans with Disabilities Act (“ADA”) compliant videos for the public. Features include closed captioning and language preferences.

In a recent Board survey, Trustees expressed tools and features they would like in reviewing agenda material, which included annotation features, item navigation, policy library, archiving of meeting materials, Zoom integration and search options. These features are provided within the PrimeGov application.

### Security

Prime Government Solutions (“PrimeGov”) is a reputable technology company that provides public meeting recording and archiving services. Their solutions utilize the security settings and controls of the Office365 and Zoom platforms and will facilitate monitoring and security standards currently deployed at LACERA. In addition, PrimeGov service operations infrastructure and applications run in Microsoft Azure. The Azure services consumed are certified to SOC2, FedRamp High, ISO 27001, and many other relevant standards. More broadly, PrimeGov’s security policy is based on NIST Cyber Security Framework.

The Information Security Division is comfortable in moving forward with PrimeGov and have provided their Vendor Risk Opinion Memo (Attachment E).

### References

References obtained were from LA City, City of Lancaster, and Ventura County. References including individuals involved in the agenda meeting management and IT support. Each reference recommended the use of PrimeGov services and shared positive feedback in terms of their customer service during the implementation process and in meeting support, flexibility of application templates and workflow, and overall experience in using PrimeGov, including time periods after the Rock Solid merger.

### Proposed Action Plan

LACERA is currently under contract with Nasdaq BoardVantage until the end of 2022, and the plan is to use BoardVantage until we fully transition to PrimeGov. Therefore, staff proposes the following action plan should this recommendation be approved by the Board.

March 2022: Board approves OOC recommendation/s, and LACERA executes the contract with PrimeGov.

#### April – August 2022:

- Begin implementation process with the new vendor, which includes, but is not limited to, transitioning manual processes, creating internal procedures and workflows, the configuration of vendor application templates, staff training, and conducting mock meetings.

- The implementation process will include trustee involvement for input in viewing Board/Committee materials and in meeting features.
- Provide OOC presentation/s showing the public interface features (i.e., livestreaming, recordings, archived materials, timestamping, ADA features, closed captioning/different languages, etc.) that will be made available on lacera.com.

July - September 2022:

- Provide training to Trustees in utilizing the application.
- Archive any notes/annotations saved by Trustees in the current application.

October 2022: Complete transition to the new vendor.

Archiving/Recording

Board and Committee open session meetings are currently being livestreamed and recorded. The meetings can be viewed by members of the public via the livestream on lacera.com when the meeting is occurring but cannot be viewed once the meeting has ended. In addition, recordings are internally saved for staff reference, but not made available to the public on lacera.com. To obtain a recording, a member of the public must submit a Public Records Act request.

In considering whether LACERA should provide public online access to meetings, through an online archive, the Board may consider that such access will:

- Increase transparency;
- Reduce public requests for recordings; and
- Provide another form of communication with members and other stakeholders and insight into the Boards' decision-making.

The Committee recommends that audio/visual recordings be retained indefinitely and be provided on lacera.com. Through PrimeGov, recording migration of up to two years is included at no cost. The Committee recommends archiving recordings on lacera.com from calendar year 2021 and continued indefinitely.

Should the Board approve to retain audio/visual recordings indefinitely, staff will revise the Records & Information Management (RIM) Policy and present for approval. The retention schedule is maintained by the Administrative Services Division. Unlike the RIM Policy, it has not in the past been presented for Board approval. Staff proposes to change the current 30-day retention period in the schedule for any video or audio Board recordings to indefinite as noted above.

As mentioned in the Proposed Action Plan, staff plans on presenting the public interface features (i.e., livestreaming, recordings, archived materials, timestamping, ADA features, closed captioning/different languages, etc.) that will be made available on lacera.com. Furthermore, information on how staff plans to maintain control of the video content from

being altered will also be addressed at future Operations Oversight Committee (OOC) meetings.

**Budget**

The first-year cost for the PrimeGov solution will be \$45,235.20, including the first-year fee of \$37,045, plus one-time start-up charges of \$8,190.20 for hardware and professional services and \$38,897.25 (or a 5% increase over the first-year annual fee) for second- and third-year annual fees. These costs assume the use of YouTube as the video hosting platform. Should LACERA determine that a different web hosting platform is required, additional fees of up to \$30,000 per year should be anticipated, which would bring the contract cost over \$150,000 and therefore require Board approval. Sufficient funds exist in the FY 2021-22 Budget for first-year costs. If approved, future year costs will be included in the proposed budgets for the Board's approval. Of note, use of the PrimeGov solution, which would replace BoardVantage, without the use of a supplemental web hosting platform, would result in annual savings of approximately \$23,000 over the current \$68,600 annual cost of BoardVantage.

**CONCLUSION**

The Committee recommends PrimeGov as the solution to streamline internal processes, agenda packet distribution, in meeting features, and the option to enhance public transparency of archived recordings and materials. This solution will provide a streamlined, modern, and sustainable system to support meeting operations and accommodate in-person, remote, or hybrid meetings in the future.

**IT IS THEREFORE RECOMMENDED THAT THE BOARD:**

- 1) Approve Prime Government Solutions, Inc., for agenda management, recordings, online archives, and public interface for both Boards and all Committees; and
- 2) Recommend archiving the recordings indefinitely and return for approval the revised Records & Information Management (RIM) Policy and retention schedule.

SK:bn

**Attachments**

- A- JOGC February 24, 2021 Memo
- B- JOGC April 22, 2021 Memo (Excluding Attachments)
- C- PrimeGov & Rock Solid Technology Merger Press Release
- D- RFI PrimeGov Proposal
- E- Vendor Risk Opinion Memo

cc:

Board of Investments  
Steve P. Rice

Luis A. Lugo  
Kathy Delino

JJ Popowich  
Bob Schlotfeld

Laura Guglielmo  
Cynthia Martinez

Attachment A  
February 24, 2021 JOGC Memo

February 17, 2021

TO: Each Trustee,  
Joint Organizational Governance Committee

FROM: Kathy Delino <sup>KD</sup>  
Interim Systems Division Manager

FOR: February 24, 2021 Joint Organizational Governance Committee Meeting

SUBJECT: Board & Committee Meeting Recordings & Online Archives

## **RECOMMENDATION**

That the Joint Organizational Governance Committee (JOGC) discuss and provide input on Board and Committee recordings and online archives.

## **BACKGROUND**

Prior to Covid-19, Board and Committee meetings were held onsite in the LACERA Boardroom for Trustees, staff, members, and the public. The meeting recordings were recorded on DVDs and were available to the public through a PRA (Public Request Act) request.

In March 2020, due to the Covid-19 pandemic and in adherence to [Executive Order N-29-20](#), Board and Committee meetings were held virtually in order to adhere to the social distancing guidelines set forth by local, state, and federal agencies. This allowed the Boards and staff to allow the public, staff, members, and consultants to participate safely. With meetings being held virtually, meeting recordings are now being saved electronically.

## **DISCUSSION**

Staff would like the Committee's input and direction on a solution/s for meeting recordings and online archives. Staff is prepared to provide the Boards and PRA requests with immediate access, via SharePoint, to the open session recordings of the Board & Committees in the interim. A copy of a screenshot showing the SharePoint portal is attached. Staff can prepare a permanent solution, which would provide recording archives on lacera.com to be available to the public when the new site is launched later this year.

Staff looks forward to the Committee's comments and input at the JOGC meeting on February 24, 2021.

SharePoint

**B B&CR**

Search this site

+ New Page details

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**News**  
+ Add



**Board & Committee Recordings**

 Nick Abouchian January 25

SharePoint

**B B&CR**

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+ New Upload Edit in grid view Sync Add shortcut to OneDrive Export to Excel Power Apps Automate

**Audit Committee**

Name	Modified	Modified By	+ Add column
2020 - 10 October 21 AUD.mp4	February 9	Bonnie Nolley	
2020- 08 August 19 AUD.mp4	February 4	Bonnie Nolley	
2020-12 December 11 AUD.mp4	February 4	Bonnie Nolley	

**Attachment B**  
**April 22, 2021 JOGC Memo**  
**(Excluding Attachments)**

April 13, 2021

TO: Each Trustee,  
Joint Organizational Governance Committee

FROM: Kathy Delino   
Interim Systems Division Manager

Bob Schlotfelt   
Interim Chief Information Security Officer

FOR: April 22, 2021 Joint Organizational Governance Committee Meeting

SUBJECT: Policy and Action Plan - Board & Committee Recordings, Online Archives,  
and Public Interface

## **RECOMMENDATION**

That the Joint Organizational Governance Committee (JOGC) discuss and provide input regarding the policy and action plan for Board/Committee recordings, online archives, and the public interface.

## **DISCUSSION**

At the February 24, 2021 JOGC, the Committee voted to have staff return with a policy and action plan for Board/Committee recordings, online archives, and the public interface. The Management of Audio and Visual Recordings Policy (the "Policy") (Attachment A) and the Board/Committee Meeting Recording Archival and Publication Action Plan ("Action Plan") (Attachment B) are attached for your review. Staff looks forward to the Committee's feedback on both attachments.

At the February meeting, the JOGC provided comments regarding preferences for meeting recordings, recording archives, and the public interface to access both. The suggestions included but were not limited to the impact of [Assembly Bill 339](#), recording/archival of audio and video content, and agenda item timestamping for recordings. These comments are incorporated into both the draft Policy and draft Action Plan.

The Action Plan includes tasks to be completed as well as a timeline for completion. The important milestones in the plan include providing access to Board and Committee meeting recordings on lacera.com, as well as implementing a modern, sustainable system to record, stream, and archive meetings. To that end, staff has issued a Request for Information (RFI) to gather information on possible solutions for a modern, sustainable

Re: Policy and Action Plan - Board & Committee Recordings, Online Archives, and  
Public Interface  
April 13, 2021  
Page 2 of 2

system to support meeting operations. RFI responses will be received mid-May and staff will come back to the JOGC in July to provide a demonstration of the recording, streaming, archival, and agenda timestamping features suggested by the Committee.

### **CONCLUSION**

Staff recommends that the JOGC approve the attached Action Plan and recommend the Management of Audio and Visual Recordings Policy for approval by the Board of Retirement and Board of Investments.

### Attachments

c: Santos H. Kreimann  
Johanna Fontenot

[Request a Demo](#)

# ROCK SOLID TECHNOLOGY ACQUIRES PRIMEGOV

Tom Spengler Named CEO

San Juan, Puerto Rico and Scottsdale, AZ – March 25, 2021 – [Rock Solid Technology](#), a leading SaaS software company providing citizen engagement solutions that help local government and their communities work as one, today announced the acquisition of PrimeGov, a leading provider of virtual public meeting participation and agenda management solutions for local government. The combined company delivers solutions to over 180 local government agencies including Los Angeles, Fremont, Las Vegas, San Antonio, Columbus, and Baltimore County. Tom Spengler, PrimeGov's Executive Chairman will become the CEO of the combined organization.

PrimeGov delivers a powerful suite of legislative management solutions designed to unlock the potential of municipal governments and deliver both operational efficiency and transparency while fostering civic engagement. The acquisition brings together two companies with decades of dedicated local government experience, and provides exciting new capabilities designed to facilitate every step of the legislative management process including agenda management, committee management, and virtual council meetings through video streaming. These capabilities will allow customers to leverage a purpose-built citizen engagement platform that integrates seamlessly into agency operations to engage with their constituents.

"PrimeGov has played an important role in helping local governments with their public decision-making processes," said Rick Brown, Chairman of Rock Solid. "The natural combination of our two companies creates a solution the market is demanding – a deeply integrated citizen engagement platform that unifies the power of public meeting participation and agenda management with transparent, and actionable data from cross city departments."

Tom Spengler brings over 20 years of dedicated local government technology experience to Rock Solid. As the former CEO and co-founder of Granicus, Tom helped create the market leading legislative management solution used by more than 4,500 government agencies and 250 million citizens. Tom is passionate about improving government and their communities through technology and sits on the board of several technology companies including Propylon and Ascendify.

"We're excited to be joining together with Rock Solid today. We believe public meetings are core to a functioning democracy, and local staff and elected officials need better tools to maximize outcomes for the communities they serve," said Tom Spengler, Executive Chairman of PrimeGov. "The combination of Rock Solid and PrimeGov will be uniquely positioned to integrate resident sentiment and real operational data into the public meeting decision-making process."

## About Rock Solid Technologies, Inc.

Founded in 1994, with offices in San Juan, Puerto Rico and Austin, TX, Rock Solid is a SaaS service provider that helps local governments and their citizens work as one. As a trusted government partner for 25+ years, Rock Solid uses technology to create products that streamline workflows and resource allocation for diverse civic and municipal entities worldwide. From all-in-one platforms to custom software solutions, Rock Solid's tools help local governments operate more efficiently and improve civic engagement.

Rock Solid's OneView CRM was recently selected as the civic engagement platform of choice in Columbus, OH, San Antonio, TX, Knoxville, TN, and Gainesville, FL. Additionally, the municipalities of Ciales, Santa Isabel and Adjuntas join the list of more than forty cities in Puerto Rico that use Rock Solid's OneView as their principal platform to engage residents and unify their systems.

To learn more, visit [www.rocksolid.com](http://www.rocksolid.com).

### About PrimeGov

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single, end-to-end, cloud-based solution. With PrimeGov, local governments can seamlessly host hybrid meetings with remote voting capabilities—saving time, increasing efficiency, and promoting transparency to their constituents.

PrimeGov was recently recognized in GovTech 100 annual list for 2021 by Government Technology as a company making a difference for local governments. PrimeGov is proud to partner with top cities and counties such as Los Angeles, Las Vegas, LADWP, San Antonio, and Oklahoma City on their agenda, meeting, and committee management processes.

To learn more, visit [www.primegov.com](http://www.primegov.com).

### PRESS CONTACT

Kimberley Kasper

Strattam Capital

[kkasper@strattam.com](mailto:kkasper@strattam.com)

415-230-2705

---

#### About PrimeGov

PrimeGov empowers local governments to optimize and digitize their agenda and meeting management processes with a single end-to-end cloud-based solution.

+1-833-634-6349

[sales@primegov.com](mailto:sales@primegov.com)

[in](#) [f](#) [t](#)

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Meeting Management

Committee Manager

Community Engagement

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**Los Angeles County Employees Retirement Association  
(LACERA)**

**RFI: Agenda Management, Livestream, Recording, and  
Archiving**

**May 15, 2021**

LACERA  
PO Box 7060  
Pasadena, CA 91109-7060

Josh Hurni, Director of Sales  
PrimeGov  
4250 Drinkwater Blvd, Ste. 300  
Scottsdale, AZ 85251



Prime Government Solutions | 4250 Drinkwater Blvd. Suite 300 | Scottsdale AZ 85251 | 1-833-634-6349

May 14, 2021

## Letter of Introduction

Dear LACERA,

Thank you for the opportunity to help you upgrade to a cohesive board management system that manages your public meeting processes with the latest, easy-to-use technology. Prime Government Solutions, Inc. ("PrimeGov") is familiar with LACERA's needs in part because we have selectively recruited the most experienced team members in the industry. In fact, we started PrimeGov because we had developed strong relationships with government staff over the years and we were disheartened by the steady decline in the quality of service and the lack of technical innovation by the big software providers in this space.

PrimeGov is different because our only focus is managing the public meeting process. We do not build websites or other non-legislative products. We live to make clerks' lives easier. It's just what we do. Having that focus means that every day our team is in the field with our clients to see and hear for ourselves exactly where the legislative process needs automation. Then, because our development team is not distracted by other products, we quickly build solutions to meet those challenges. A recent example is the ability to send property notices via postcard without ever leaving our system.

Here are some of the many ways we stand above the rest:

- Every member of our executive team and board has **years of experience** working with clerks. Unlike document management companies or private equity firms, we understand the pressure staff is under during a meeting and the need for us to respond quickly, especially when the council and the public are waiting.
- We build our solution on **widely used and supported web applications**. Technology, particularly video, has improved dramatically over the last five years; it no longer makes sense to recreate a video player or storage when Google and Microsoft have spent billions developing and maintaining their products. Our role as a company isn't to recreate the wheel but to adapt software to meet the specific needs of clerks. We offer seamless, superior integrations with popular, easy-to-use products such as Laserfiche, YouTube, Word, Zoom, Chrome, and more.
- Our dedication to delivering the **best solutions specific to local government** frees up our team to develop software relevant to clerks and members of the public looking for



information. This feature, along with our new Quick Voting solution, is why the City of Los Angeles contracted with us to replace four of their existing systems with our one.

- PrimeGov's software is **100% cloud-based** and can be used from any location without a VPN (Virtual Private Network) setup. There are no client-side installations, stream-lining deployment and implementation. PrimeGov's completely virtual environment ensures business continuity even when faced with the toughest externalities, such as a natural disaster or a public health crisis.
- PrimeGov's agenda management system allows for the **instant generation of agenda packets**. Compiling and converting staff reports and attachments into a complete agenda packet can take hours, but with PrimeGov, this important function happens immediately.
- The system does an **automatic check** to ensure that the files of supporting documents function prior to compiling, and if they are corrupt, it identifies the broken file for easy replacement, saving you hours of time otherwise spent searching for the specific file.
- PrimeGov provides **powerful and flexible workflows** that can be set up to automate a number of tasks such as appointing citizens to boards or sending emails to appointees. Furthermore, staff can create a peer review group as part of a workflow that allows reviewing or editing permissions for staff members without disrupting the standard approval process.
- PrimeGov's **agenda solution is directly tied to our committee management tool** and allows for direct item approval through the entire agenda process. This means your workflow and forms controls can be based on specific committee processes. In addition, items can be pushed through the approval process by automation-based approval actions.

We are professionally and personally committed to making LACERA's deployment a success. Our implementation plan, flexible training options, and understanding of your requirements ensure that your system is widely adopted. Once deployment is complete, we'll be there for you with our experienced support staff and stable, modern technology.

We look forward to providing an in-depth demonstration so you can see for yourself how easy PrimeGov is to use and why our experience, technology, and focus on the legislative process make us uniquely capable of meeting LACERA's requirements.

Sincerely,



Tom Spengler, CEO



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## Section 1: Administrative Information

PrimeGov works solely with local governments clients, bringing our expertise, understanding, and consultative approach to our vendor/client partnerships. Launched in 2015, PrimeGov has partnered with nearly fifty California customers, including the City of Los Angeles, and several counties in southern California, including Orange and Ventura Counties.

- 1. Name, mailing address, overnight delivery address (if different from mailing address), phone number, fax number, and e-mail of designated point of contact.**

PrimeGov is based at 4250 Drinkwater Blvd., Suite 300, Scottsdale, AZ 85251. Our website is [www.primegov.com](http://www.primegov.com) and our phone number is 1-833-634-6349. We do not have a fax number at this time.

LACERA's point of contact is Joshua Hurni, who can be reached at [joshua.hurni@primegov.com](mailto:joshua.hurni@primegov.com) and (510) 519-9000.

- 2. Business type (large business, small business, small disadvantaged business, woman-owned small business, very small business, veteran-owned small business, service-disabled veteran-owned small business), and commitment to diversity.**

PrimeGov is a small business comprised of 40 employees. We are a corporation that is committed to diversity in our hiring, employee retention, and promotion practices. PrimeGov is committed to the philosophy of equal opportunity employment and does not discriminate against any employee or applicant on the basis of race, color, ancestry, age, religion, sex, sexual orientation, gender identity or expression, national origin, disability, medical condition, marital status, veteran status, or other non-job-related criteria.

PrimeGov is working to build a company that future generations can be proud of. A company where everyone is welcome. A company where everyone can be themselves and where we are committed to diversity, equity, inclusion, and action.



## Section 2: Requested Information

### 1. Agenda Management: Development/Compilation/Workflow/Amendment

Please see response to #2 below for a full description of our Agenda Automation solution.

### 2. Paperless Agenda Software

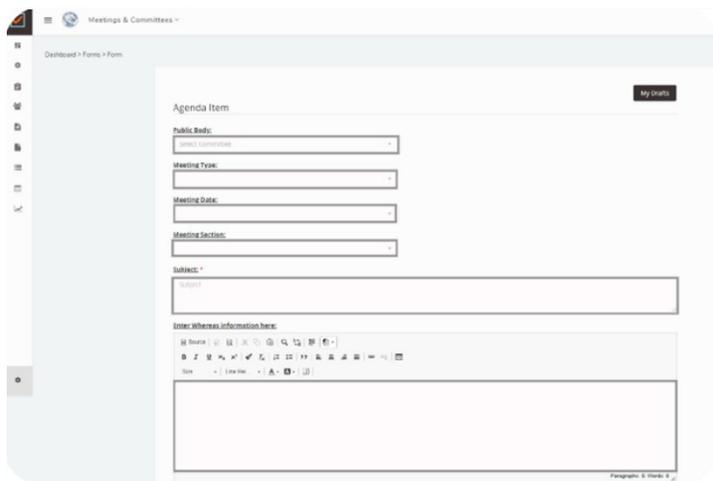
#### 2.1. Annotation/Notes features

We provide full annotation functionality such as highlighting, drawing and sticky note functionality both in our pre meeting process and for board members and staff on the published agenda. We also provide a separate note feature should people decide to take notes in a text box rather than on the agenda item itself.

#### 2.2. IOS Applications

With PrimeGov, you can manage the entire agenda process--from submitting an agenda item for a meeting to ensuring that the item has all the necessary supporting materials to be heard. Agenda items can have pertinent item information tracked, such as: sponsor, background, speaker, and recommendations. All custom fields can be tracked for reporting purposes. Agenda items can be moved or copied to another

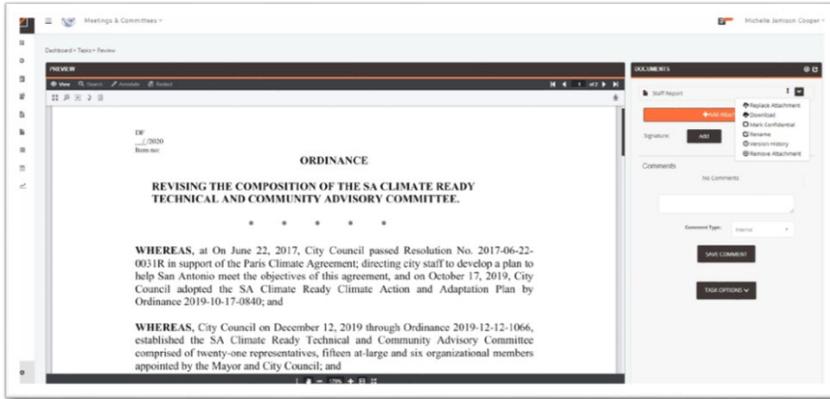
meeting with a full legislative history available. As items are moved, copied or arranged within the meetings, the numbering and formatting of the item is automatically adjusted. This makes last-minute changes simple to handle.



As part of Agenda Automation, PrimeGov

includes electronic forms and our Workflow module. Using this automation, the Client

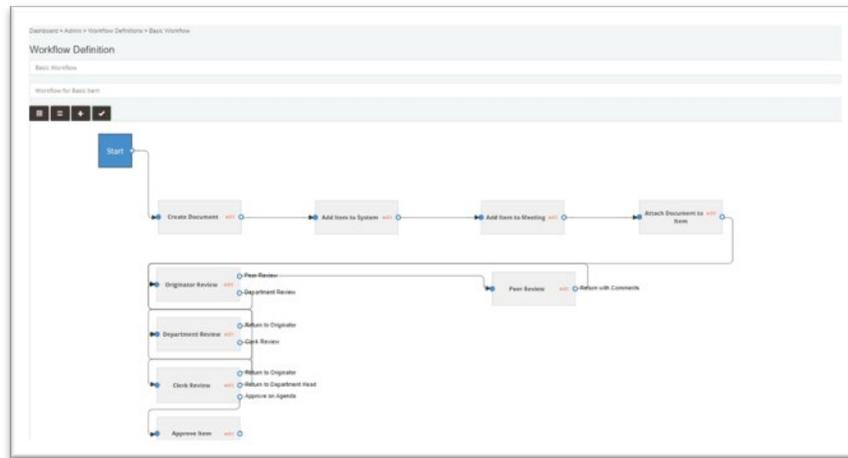
can add an agenda item and send it through an approval process. This automation provides an efficient and trackable way of making sure that an item is properly reviewed and ready to be presented at a meeting.



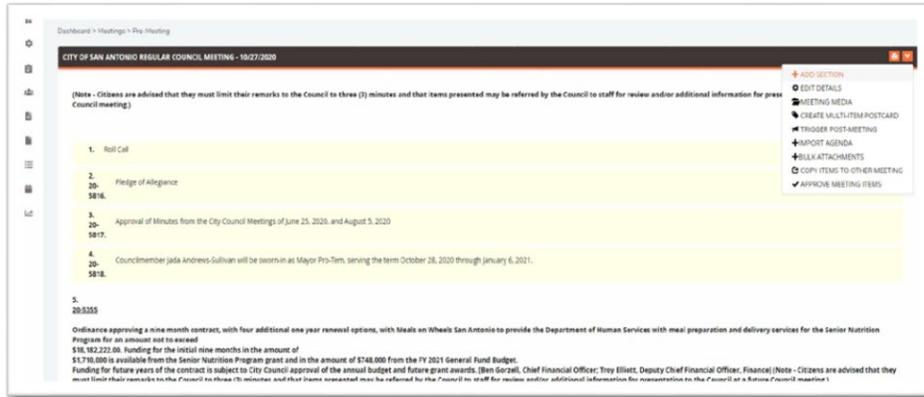
There is no limit to the number of agenda templates that can be created in the solution. Multiple templates can even be created for individual meeting types. For example, there could be a regular meeting and a

closed session meeting for the same body. The Client has complete control of the templates, and how they are formatted.

Documents that are added to an item either directly or through workflow can be in any format and will have OCR performed on them so they can be searched easily. They will also be converted to PDF. There are no proprietary file formats used in the solution.



Once an agenda and all its supporting materials have been added to the system the Client can compile them into a packet with the click of a button. That packet as well as the agenda can be published to the Client website with another click of a button.

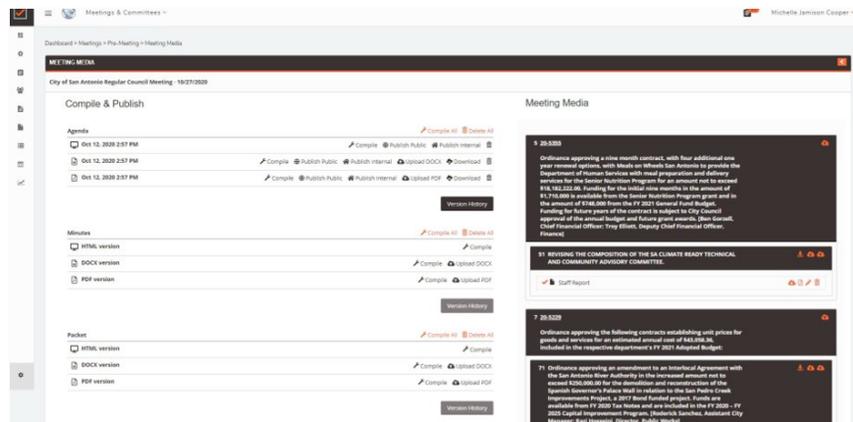


## Key Module: Workflow

The PrimeGov Workflow module allows for the automation of virtually any business process. This means that not only can it be used to track and manage the submission of agenda items, but it can also be configured to automate the processes surrounding meeting such as: scheduling, notifications, agenda review, agenda distribution, citizen input, meeting actions, and staff follow up after the meeting.

### Features include:

- Automatic initiation of workflow when an action request is submitted electronically
- Easy document routing for review and approval
- Automatic notification via email or workflow queue
- Parallel work process
- User friendly administration
- Unlimited workflows can be created
- Reporting
- Real-time monitoring of flows to show where action requests are in the process



- Deadlines can be set for tasks to be completed

### **Key Module: Meeting Viewer and Annotations**

The PrimeGov Meeting Viewer is provided with the solution. Meeting Viewer allows users to view different document types without having to have the native application on their device. It also allows users to annotate their copy of the agenda and supporting materials. Some of the annotations included are notes, highlighting, redaction, signatures, and more. When a user annotates their copy of the agenda, they will have their annotations on the agenda when they log in for the meeting. Because the PrimeGov solution is 100% web-based and has been designed with mobile-first technology, users can access the system from any device that has a web browser.

### **3. Posting of Meeting Materials**

Our single legislative management solution makes it easy to post meeting materials in both an HTML and PDF format. The system automatically checks supporting documents to make sure the files function and provides clear message if they are corrupt. This makes it easy to replace the bad files directly from the pre posting page rather than having to go back to the item submitter and have them update the file.

Once the agenda is posted, we provide advanced search functionality to make it easy for members of the public to find their information, including full text search and search parameters such as meeting date, body, etc.

### **4. Electronic/Live Voting**

The Meeting Management interface called Meeting Viewer also provides a means for the members to record their vote during a meeting and offers the ability to communicate the voting process of agenda items to the public. This solution allows voting members and support personnel the opportunity to electronically view items and supporting documentation on the agenda and to electronically cast votes on motions. The Voting solution provides an automated and effective approach to recording the events of the meeting to make it easy for the supporting personnel to follow along and manage the meeting as it is in session.

## 5. Public Comment Features (call-in, written comments)

Improving community engagement options is core to the PrimeGov mission. We believe technology can improve communications between elected officials and their local community. The Community Engagement module includes the following:

### **Key Feature: Community Comment**

This software creates a public portal for citizens to comment on individual agenda items. The comments are text-based and a character limit can be established to replicate the time limit used for public speakers when meetings are in person. All comments will be aggregated into a simple report and provided to elected officials. Comments are not publicly viable until they are published by the agency during or after the meeting.

### **Key Feature: Community Request-to-Speak**

The Request to Speak functionality allows community members to sign up to request to speak for any agenda item. The software will manage the sign-up and provide an ordered list of public speakers that can be called on during the meeting.

## 6. Livestream (with agenda timestamp) for Audio and Video

The Video/Audio recording is integrated into the live meeting module and allows the video to be easily started, items to be timestamped, and video to be embedded into the public portal and legislative history. All of this is from within the same interface used for running the meeting. The live stream and on-demand recordings are managed through YouTube's powerful distribution platform. One of the advantages to using YouTube is that they provide a free audio-translation component that can be used for closed captions. The Client will need an encoder to stream, but all existing cameras, microphones, etc. will work.

## 7. Recording/Archive for Audio and Video

### 7.1. Quality (i.e., HD, others)

We provide full 1080 multi-bite rate HD

## **7.2. Timestamp**

With a simple double click, you can timestamp the video. Our data migration from your current provider will include timestamps.

## **7.3. Translation Services**

We have a number of clients who use our product in conjunction with a translation service. We do not provide translation services ourselves.

## **7.4. Duration of Archive**

Data is hosted until you delete it. We do not delete data.

# **8. Closed Captioning Features**

Clients may choose to take advantage of PrimeGov's cloud-based Live Closed Captioning offering to enhance their meeting videos. Automated closed captioning is available without the purchase of any additional equipment and increases accessibility and transparency for constituents.

The live stream and on-demand recordings are managed through YouTube's powerful distribution platform. One of the advantages to using YouTube is that they provide a free audio-translation component that can be used for closed captions.

# **9. Management of Closed Session**

## **9.1. Entering and leaving closed session**

Typically, people would turn off the cameras and then start a separate closed session meeting. Our granular permissions would allow board members to see confidential information during the closed session meeting. When closed session is over the closed session meeting would be ended in the system and then people would reenter the regular meeting.

## **9.2. Separate recording of closed sessions when required**

In general, closes session meetings are not recorded however we could set it up so that the closed session meeting is recorded locally on the encoder and not live streamed to the public.

## 10. Company Profile

### 10.1. Business & Ownership Structure (Public, Private, LLC etc.)

PrimeGov is a small, privately owned corporation that is a subsidiary of Rock Solid Technologies.

### 10.2. Total Annual Revenue

As a small business, PrimeGov does not publicly disclose this information as it would put us at undue risk and exposure to competitors. We can share this information upon contract award.

### 10.3. HQ and office locations

PrimeGov is located at 4250 Drinkwater Blvd., Suite 300, Scottsdale, AZ 85251.

### 10.4. Cloud Infrastructure Partner

All of our data is hosted on Microsoft Azure, which is a Tier 4 data center.

### 10.5. SoCal presence

We have roughly 25 clients in Southern California, including: the City of Los Angeles, LA Department of Water and Power, the Clean Power Alliance, Orange County, Ventura County, and many other cities.

### 10.6. Competitive distinction and value proposition versus competitors

Prime Government Solutions (“PrimeGov”) was founded in 2014 when several jurisdictions—dissatisfied with their current agenda management software options—began looking for a company committed to the legislative process. The PrimeGov team came together to solve this problem. We are a group of leaders that have been serving municipal clerks for more than 20 years. We are passionate about providing quality products, world-class customer service, and close collaboration with our clients. We are dedicated to unlocking the potential of municipal governments through technology, to promoting transparency to empower communities, and to fostering civic engagement.

Prior to 2014, our team designed and implemented hundreds of legislative management solutions as founders of Granicus, Inc. Over the years, we have worked hard to develop strong relationships with government staff throughout the US and Canada and we were disheartened to see the steady decline in service quality and the lack of legislative focus by the leading software providers. It's because of this decline that our founder started developing the PrimeGov Legislative Management Suite in February 2015. The goal was to utilize the latest technology, strategic partners, and our decades of experience to bring the best possible legislative management product to market. By building our solution on widely used and supported "commercial" web applications and social media, we have been able to rapidly build a single product that can handle the entire legislative process.

Cities and counties all over the country soon took notice and entered into agreements with us. In the last six years, we have gone from one client to more than sixty of all sizes: from the City of Los Angeles to Oklahoma City to Oviedo, Florida. Some have wondered how we are able to handle such high growth and the answer is our experience, our use of non-proprietary technology, and our total focus on the public meeting process. To illustrate our experience, our Head of Engineering is Javier Muniz, co-founder and CTO of Granicus prior to its acquisition by private equity. Our President, Sherif Agib, started in Granicus customer service nearly 20 years ago and worked his way up to VP of Operations before its sales. The point is simple: we understand the legislative process, we understand the technology, and, most importantly, we understand our clients.

## **11. Technology and Security**

### **11.1.1. Is your solution a private/dedicated or shared/multi-tenant service?**

PrimeGov is a multi-tenant service.

### **11.1.2. Provider and location of Primary server?**

The primary server is located in the Western United States.

### **11.1.3. Provider and location of Secondary server?**

The secondary server is located in the Midwest United States.

### **11.1.4. Do you offer geographic redundancy?**

Yes, this is standard functionality.

**11.1.5. Does your solution utilize AI for closed captioning and transcriptions?**

Yes, our closed captioning is AI-generated. The City of Los Angeles is an example of client using this service.

**11.1.6. Does your live stream player have any dependencies?**

The only dependency is a camera, internet connection and the use of the AJA HELO encoder.

**11.1.7. Does your video player have any dependencies?**

We use an unbranded version of YouTube as our video player.

**11.1.8. Does your solution provide an API?**

The PrimeGov Legislative Management Suite is driven by Restful Web Services. This allows virtually anyone (other software vendors, open data developers) the Client allows to consume the data available in the system. Access is controlled by the Client and the available “datasets” are published by the Client, just like publishing an agenda.

**11.1.9. Do you integrate with Active Directory for user management?**

We currently support AD via Office 365 SSO

**11.1.10. Do you support MFA?**

PrimeGov has application-managed authentication and can use SAML 2.0.

**11.1.11. Speak of data archiving and how data destruction is assured?**

PrimeGov hosts all data in Azure and all connectivity is managed by the Azure infrastructure automatically. Azure guarantees a permanent data failover PrimeGov follows the standard protocols for recovery stated by Azure.

We do not delete your data. Users with the right permissions within your organization could delete data but we do not delete data. Clients can export data for additional storage. PrimeGov offers configurations for encoder local backup for video content as well as a Laserfiche integration for additional data backup. PrimeGov does not regularly provide clients with local stored copies of data. However, this data can be

made available upon request. Downloads of videos can be attained from YouTube using off the shelf tools.

**11.1.12. Describe your disaster recovery and business continuity support. SLA guarantees?**

PrimeGov hosts all data in Azure and all connectivity is managed by the Azure infrastructure automatically. Azure guarantees a permanent data failover PrimeGov follows the standard protocols for recovery stated by Azure. PrimeGov uses HTTP2 protocol, so all communication between the client and server is secure and encrypted. For our database, backups and other data at rest, everything is on Azure resources that have automatic encryption on all the elements.

**11.1.13. Does your company maintain SSAE18 SOC 1 Type 2 and SOC2 certification? Which audit company is used?**

These audits occur regularly on Microsoft Azure. More information can be found here: <https://servicetrust.microsoft.com/ViewPage/MSComplianceGuideV3>.

**11.1.14. Are you FEDRAMP & SOCS 2 Certified?**

We do not currently hold these certifications.

**11.1.15. Do you have Government Licensing available?**

PrimeGov works solely with government and so we do not have separate government licensing available.

**12. Implementation and Support**

**12.1.1. Describe your implementation approach and methodology. For an implementation, detail the profile of staff roles/resources needed from us to support the project.**

At PrimeGov, we take pride in fully understanding your project before it begins. Before project initiation, we will provide the Client with a project plan and, if requested, a Scope of Work (“SOW”) document to support a clear understanding of the project. Although PrimeGov makes every attempt to provide accurate estimates, it is possible that additional Client requirements or details can emerge. If new requirements are discovered or additional products and/or services are required, it may change the estimated cost and timeline provided.

## PrimeGov Implementation: Methods and Stages

PrimeGov's implementation methodology framework includes planning and discovery, implementation, and project closure. The discovery period includes comprehensive review and analyses of the Client's business processes for agenda and management. Additional discovery sessions will be held with subject matter experts to map and document workflows, forms, and documents to drive a successful Configuration period and lead into Training, Go Live, and Transition to the Support team for on-going, long-term support.

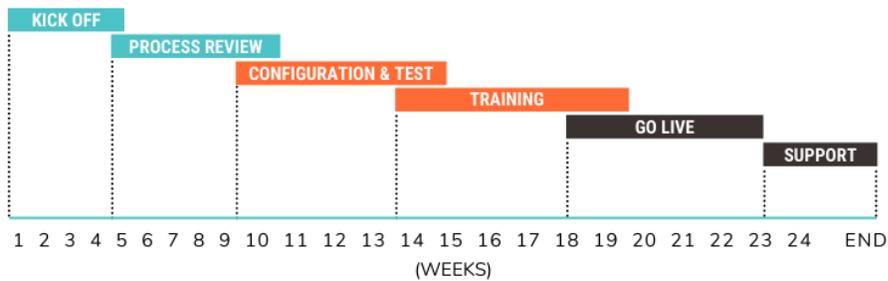


The project will consist of three distinct stages:

1. Planning & Discovery
  - Kick Off
  - Process Review
2. Implementation
  - Configuration & Test
  - Training
3. Project Closure
  - Go Live
  - Transition to Support

## Projected Timeline

The estimated project timeline is 24 weeks. The projected timeline can be impacted by changes to the project scope and based on commitments to the general project requirements.



**Sample Timeline**

The PrimeGov Project Manager will work with the Client team during the Planning and Discovery Phase to identify implementation priorities and may shift the timeline and the timeline duration based on those priorities.

### Project Team

PrimeGov’s Project Team includes a dedicated Project Manager, Implementation Consultant, and Technical Lead. Throughout the project, our team’s goal is to ensure a successful, on-time Go Live of the PrimeGov system and long-term successful use. Our team brings industry best practices and product expertise to all sessions to ensure we are meeting your needs and working to simplify and improve processes, workflows, committee management, and meeting management. The PrimeGov Project Manager will be responsible for leading the project to drive dates, deliverables, and completion of the project. The PrimeGov team will partner with the assigned Client Project Manager during the entire project cycle to ensure transparency, accountability, and successful completion of the project.

### Client Team

It is important for the Client to create a solid project team for a successful PrimeGov implementation and wide adoption of the solution. Below are the recommended project team roles:

1. **Project Manager:** The Project Manager should be someone who manages the Client team’s performance of project tasks and secures acceptance and approval of deliverables from the Client stakeholders. The Project Manager is responsible for communication, including status reporting, risk management, escalation of issues, and, in general, making sure the project is delivered on schedule and within scope. The Project Manager will have signature authority for the acceptance of deliverables by Client. The Project Manager’s responsibilities will also include, but not be limited to:

- a. Collaboration with PrimeGov resources on the project schedule deliverables;
  - b. Coordination with key stakeholders, representatives, and decision makers;
  - c. Facilitation of timely decision-making and resolution of issues; and
  - d. Coordination of Client resources for decision-making, project management, testing, training, etc.
2. **System Administrator:** The System Administrator should be a person who is closely involved with the legislative process: from the approval process of legislation to the creation of minutes. This person should consider him or herself computer-savvy. The System Administrator is responsible for maintaining the administration tab, managing the configuration of the system, user management, etc. in PrimeGov. The System Administrator's responsibilities will also include, but not be limited to:
  - a. Collaboration with PrimeGov resources on the project schedule deliverables;
  - b. Serving as internal resource to PrimeGov users; and
  - c. Coordination with key stakeholders, representatives, and decision makers.
3. **IT Lead:** The IT Lead works closely with the Project Manager to ensure that PrimeGov is deployed properly and helps solve IT issues that might arise.
4. **Subject Matter Experts:** It is important that Subject Matter Experts—such as the Clerk, department management and staff, and the City Manager—are an integral part of the Project Team to consult on the legislative process of the Council, from the approval process of legislation to the creation of minutes. These people may also be responsible for indexing the recording during the meeting if video/audio recording is involved.
5. **Backup System Administrator:** This Backup System Administrator will serve as support to the System Administrator and preferably has a solid understanding of the legislative process of the Client jurisdiction—from the approval process of legislation to the creation of minutes—as well as a good level of technological skills.

## User Testing

PrimeGov's implementation includes Prime walk-throughs and approvals of the system by the Client for each milestone ("User Acceptance Testing"). Thorough testing is required throughout the project plan prior to designated walk-throughs and approvals ("Sign-Off"). Prior to training and overall project completion, end-to-end

walkthroughs of the system and approval is required during the Implementation Stage.

Testing starts with PrimeGov’s comprehensive testing of each area throughout the configuration. Once testing passes PrimeGov’s standards, the Client and PrimeGov will walk-through the area. After the walk-through, the Client's user groups will spend time—as a group and as individuals—continuing to test all areas of the project prior to moving to the next project milestone. Issues reported are tracked and organized on a templated test case system to ensure transparency and real-time access to updates and improvements. Issues reported will be fixed and feature requests will be documented prior to sign-off.

Prior to Training, extensive end-to-end testing will be completed by the PrimeGov team. We will assign the Client project team members with user acceptance testing for final sign-off and further familiarity with the PrimeGov solution. Training materials are available at this stage to enhance the user testing experience prior to final walk-through and sign-off.

### Training Plan

As part of system set-up, PrimeGov offers live training sessions through Zoom. The PrimeGov training package includes up to 15 hours of live training. Our recommended training schedule is a total of 12.5 hours over a four-day period and is organized to train three user groups: System Admins, Clerks/Staff and Council Members.

We also include an additional 2.5 hours that can be used for any additional training needs as determined by the project team. Training hours are valid during the training stage of implementation and expire two weeks after your first live meeting with PrimeGov.

The table in this document summarizes the recommended training schedule including audiences, length, and descriptions for each session. This training package is included in the PrimeGov system set-up fee. In addition to live training, the Client will also have 24/7 access to PDF and video resources in our support knowledgebase.

### Live Training Notes

- Trainings are delivered virtually through Zoom and range between 60-120 minutes per session.
- Trainings are recorded for future reference and links to recordings will be provided.

- We recommend users be logged into their PrimeGov accounts to follow along with trainings.
- We recommend System Admins attend all trainings.
- The training schedule outlined below is flexible and can be revised if that is determined to be desirable and/or necessary by the project managers for Client and PrimeGov.

### Training Requirements by Audience

- System Admins: 12.5 hours of training sessions. We recommend Admins attend all sessions.
- Clerks/Staff: 8 hours of training sessions.
- Council/Committee Members: One 60-minute training session. Members need their tablet or laptop devices typically used for voting and viewing in documents with them at these trainings.

### Training Breakdown

Training Day	Audience(s)	Training Session	Length	Description
1	- System Admins	System Management: Session 1	90 mins	This is the first of two sessions for system administrators only. This training will dive into the Admin area in the PrimeGov system and cover "maintenance" or "system upkeep" responsibilities like updating positions/user access/meeting roles/etc.
		System Management: Session 2	60 mins	This is the second of two sessions for system administrators only. This training will continue from the first admin session.]
2	- Clerks/Staff - System Admins	Building an Agenda: Submitting Items and Managing Task Lists	90 mins	This session will cover all areas of building an agenda before the meeting. We'll start with submitting an agenda item through a form all the way through managing tasks and moving items through the workflow to ultimately make it onto the agenda.
		Finalizing an Agenda and the Live Meeting	90 mins	This session will cover all areas of finalizing and compiling agendas to the public before a meeting. We'll also dive into a live meeting covering your steps right before 'go-live' and during the meeting actions. Come ready to participate and get familiar with the live meeting system.
		Post Meeting Processes	60 mins	This session will cover post-meeting responsibilities. Topics like post-meeting clean up, time stamping videos and compiling Minutes and Packets to publish publicly will all be covered during this session.

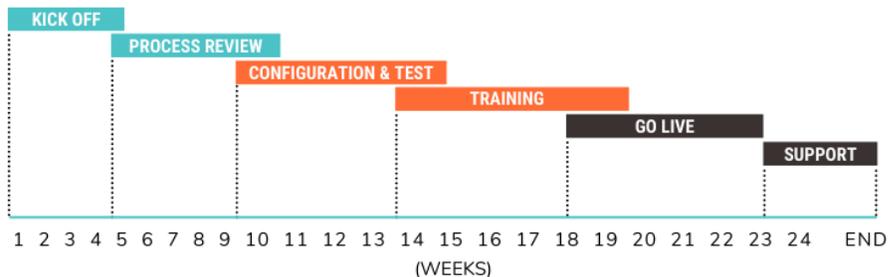
Training Day	Audience	Training Session	Length	Description
3	- Clerks/Staff - System Admins	Mock (short) Live Meeting #1	120 mins	This will be the first of two practice walkthroughs of a live meeting. This is interactive mimicking the behaviors and actions of a meeting like activating items, roll call, minutes and motions, etc. Includes Q/A session.
4	- Council Members <small>*council members attend only 1 session.</small> - System Admins	Council/Committee Member Training (Group #1)	60 mins	This session is for the first group of council and committee members. We will show council members and committee members how to use the PrimeGov system for their meeting participation. We'll cover viewing agenda details along with voting and using Zoom, if you're virtual. Voting devices are required for this session for each member. Each member should attend only one of the council member and committee member trainings. There should be no majority of council members present.
		Council/Committee Member Training (Group #2)	60 mins	This session is for the second group of council and committee members. We will cover the same details as with the first group.
	- Clerks/Staff - System Admins	Mock (short) Live Meeting #2	120 mins	This will be the second of two practice walkthroughs of a live meeting.
Misc.	TBD	TBD	150 mins	This is a 2.5-hour bucket of optional training sessions to be used at the discretion of the project team.

### 12.1.2. Relate estimates (days) for a typical project.

The estimated project timeline is 24 weeks or approximately 120 business days. The projected timeline can be impacted by changes to the project scope and based on commitments to the general project requirements.

The PrimeGov Project Manager will work with the Client team during the Planning and Discovery Phase to identify implementation priorities and may shift the timeline and the timeline duration based on those priorities.

### 12.1.3. What is the typical timeline for a Go-Live for a project likes ours?



Sample Timeline

PrimeGov’s implementation methodology framework includes planning and discovery, implementation, and project closure. The discovery period includes comprehensive review and analyses of the Client’s business processes for agenda and management. Additional discovery sessions will be held with subject matter experts to map and document workflows, forms, and documents to drive a successful Configuration period and lead into Training, Go Live, and Transition to the Support team for on-going, long-term support.



The project will consist of three distinct stages:

Planning & Discovery

- Kick Off
- Process Review

Implementation

- Configuration & Test
- Training

Project Closure

- Go Live
- Transition to Support

**12.1.4. Rough estimate in weeks/months.**

The estimated project timeline is 24 weeks. The PrimeGov Project Manager will work with the Client team during the Planning and Discovery Phase to identify implementation priorities and may shift the timeline and the timeline duration based on those priorities.

**12.1.5. What factors typically impact the success of a project?**

PrimeGov’s consultative implementation approach ensures project success, wide internal adoption of the PrimeGov solution, and customer satisfaction.

PrimeGov’s Project Team includes a dedicated Project Manager, an Implementation Consultant, and a Technical Lead. Throughout the project, our team’s goal is to ensure a successful, on-time Go Live of the PrimeGov system and long-term successful use. Our team brings industry best practices and product expertise to all sessions to ensure we are meeting your needs and working to simplify and improve processes, workflows, committee management, and meeting management. The PrimeGov Project Manager will be responsible for leading the project to drive dates, deliverables, and completion of the project. The PrimeGov team will partner with the assigned Client Project Manager during the entire project cycle to ensure transparency, accountability, and successful completion of the project.

The projected timeline can be impacted by changes to the project scope and based on commitments to the general project requirements. The PrimeGov Project Manager will work with the Client team during the Planning and Discovery Phase to identify implementation priorities and may shift the timeline and the timeline duration based on those priorities.

**12.1.6. Describe your Help Desk Support organization.**

PrimeGov insists that its clients have access to the best customer support in the industry. At PrimeGov, we built our support system with alerts to anticipate any service disruption so that our Customer Success team can address any technical items before they become an issue for our customers. In the case where a Customer discovers an issue, or the Service is unavailable, the Customer should notify the PrimeGov Customer Success team through one of the following channels:

- a. Entering a ticket in the help desk system at support.primegov.com.
- b. E-mailing the Customer Success team directly at support@primegov.com.
- c. Calling the Customer Success team at 1-833-634-6349.

**12.1.7. Include details of Level 1, Level 2 and escalation procedures.**

The Customer will supply their determined priority for each support item logged in accordance with the following Priority Code:

PRIORITY CODE	DESCRIPTION
P1 - Critical	The problem is impacting all Users by the Service being unavailable with no work-around available.

High	The problem is impacting a significant number of Users and is causing a significant business impact, where there is no work-around available.
Moderate	The problem is impacting a small number of Users and is causing a minor business impact or is causing a significant business impact, but there is a workaround available.
Low	Non-service affecting defect. Non-urgent or cosmetic problems, queries, causing inconvenience only.

A Support Call's Priority Code may be escalated by either the Customer or PrimeGov, if it is found to be more business critical than first realized or if the steps to resolve are proving unsatisfactory. In the event of escalation, the following contacts from PrimeGov should be called:

ROLE	NAME	CONTACT EMAIL
Technical Support Lead	Sydney Erickson	sydney.erickson@primegov.com
Technical Support Director	Larry Thorpe	larry.thorpe@primegov.com
President	Sherif Agib	sherif@primegov.com

#### **12.1.8. Describe your support services.**

In addition to the Help Desk Support outlined in 12.1.6, PrimeGov provides a searchable online knowledge base for questions and issue resolution that is available at [support.primegov.com](http://support.primegov.com). The documentation provided includes product updates, technical assistance, and tutorials. The content is regularly updated and expanded and each article contains links to related articles for increased navigation. The knowledge base is available on the same website as the support ticket management system for ease-of-use.

#### **12.1.9. Hours of operation, contact information, ticket submission, response times, etc.**

Regular Support Services are provided between 8:00 am and 6:00 pm Mountain Time, Monday through Friday. On-call and emergency support are provided outside

of regular Support Service hours online and by phone. More specifically, the hours are as follows:

- i. **Call for phone support.** Phone support is available twenty-four (24) hours a day, seven (7) days a week by calling 1-833-634-6349.
- ii. **Enter an issue in the help desk system.** This service is available twenty-four (24) hours a day, seven (7) days a week at [support.primegov.com](http://support.primegov.com).
- iii. **Email an issue to the Customer Success team.** This service is available twenty-four (24) hours a day, seven (7) days a week.

PrimeGov will aim to provide the Customer with a response within a specific time limit based on the agreed Priority Code of the Support Issue. The following Target Response Times are within the hours of coverage:

PRIORITY CODE	DESCRIPTION	TARGET RESPONSE TIME <
P1	Critical	30 minutes
P2	High	1 hour
P3	Moderate	2 hours
P4	Low	40 hours

**12.1.10. Describe how you provide support to our suppliers.**

Suppliers typically do not have access to the PrimeGov solution. Theoretically you could set up a supplier as a user in our system for example if you wanted to have outside legal review agenda items as part of the approval process. A staff member would need to seek support from our help desk.

**13. Cost**

**13.1.1. What is the cost for closed captioning?**

Closed captioning is based on the number of hours of captioning used on an average month with larger volumes receiving a discount. The rate could vary between \$60 per hour for a small volume of captioning or \$20 per hour for a high volume of captioning.

**13.1.2. What is the cost for streaming appliance if required?**

\$2000 per encoder

**13.1.3. What is the cost of fully managed indexing service?**

We can partner with either GovTV or Swaggit for this service.

**13.1.4. What is the cost of fully remotely managed multi-camera service?**

We can partner with either GovTV or Swaggit for this service.

**13.1.5. What is the cost of a hybrid Zoom integrated meeting feature?**

Integration with Zoom Business is provided at no additional cost to our video streaming clients.

**13.1.6. What is the pricing structure for live streams?**

Live streaming pricing is based on operating budget.

**13.1.7. What is the pricing structure for hosted videos?**

Unlimited hosting is included in the cost of the streaming service.

**13.1.8. Is there a setup Fee?**

Set up is roughly 20% of the annual recurring service fee.

**13.1.9. Are there limits to video storage?**

PrimeGov provides unlimited data storage for its clients as part of our standard solution offerings.



## Section 3: Contracting Terms and Options

### PRIMEGOV SERVICE AGREEMENT (“Agreement”)

THIS AGREEMENT is made on the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_  
BETWEEN

1. **PRIME GOVERNMENT SOLUTIONS Inc**, having its principal office at 4250 Drinkwater Blvd., Suite 300, Scottsdale, AZ 85251 (the “Supplier”); and
2. \_\_\_\_\_, whose registered office is at \_\_\_\_\_ (the “Customer”)  
(and at times referred to in this Agreement as a “party” or “parties”)

#### BACKGROUND

- A. The Supplier has developed and owns the Service (as defined in clause 1) and has granted to the Customer a non-exclusive license to use such Service solely for Customer’s internal operations and in accordance with the terms and conditions of this Agreement. The terms of this Agreement shall also apply to any updates and upgrades subsequently provided by Supplier to Customer for the Service. Supplier may update the functionality of or make modifications to the Service and user interface of the Service from time to time in its sole discretion and shall not be liable to Customer or to any third party for any modification of the Service. Supplier will use commercially reasonable efforts to notify Customer of any material modifications.
- B. The Customer wishes the Supplier to provide certain support services in respect of the Service in accordance with the provisions set out in Schedule 1 of this Agreement (“Support Services”).

#### OPERATIVE PROVISIONS

##### 1. DEFINITIONS

In this Agreement the following expressions will have the following meanings unless inconsistent context:

- “Affiliate”** means any company or non-corporate entity that controls, is controlled by, or is under common control with a party. An entity shall be regarded as in control of another company or entity if it owns or directly or indirectly controls more than 50 per cent. of the voting rights of the other company or entity.
- “Application Password”** means any encryption keys, certificates, passwords, access codes, user IDs or other login information provided to or used by Customer for the purpose of accessing and using the Service.
- “Business Day”** a day that is not a Saturday, Sunday, or public holiday.
- “Client Environment”** means the Customer hardware and software system containing the minimum specification, which the Customer, as advised by Supplier, is required to have to enable the Customer to connect with the Service.
- “Customer Data”** means data, information or material provided or submitted by Customer or any User to the Supplier in the course of utilizing the Service.
- “Data Controller”** means the party that controls the procedures and purpose of data usage, including collection, modification, storage, and disposal.
- “Data Processor”** means the party that processes the data under the Data Controller’s specific instruction.
- “Effective Date”** means the date of this Agreement signed by the Supplier and the Customer.
- “Intellectual Property Rights”** means all intellectual and industrial property rights of any kind whatsoever, registered or unregistered, including patents, know-how, software, code, intellectual property specifications, design plans, prototypes, drawings, software, software documentation, material, documents, ideas, operations, processes, product information, know how, and the like including mode and procedures of development of source code, registered trademarks, registered designs, utility



models, applications for and rights to apply for any of the foregoing, unregistered design rights, unregistered trademarks, rights to prevent passing off for unfair competition and copyright, database rights, topography rights, and any other rights in any invention, discovery or process, in each case in all countries in the world and together with all renewals and extensions.

**“Personal Data”**

means data that is processed by the Supplier on behalf of the Customer in relation to this Agreement and may include any information or data derived from Services that alone or together with any other information relates to an identified or identifiable natural person, or data considered to be personal data as defined under applicable privacy law.

**“Pricing Schedule”**

means Schedule 2 to this Agreement which sets out the prices and payment terms for the Service.

**“Professional Services”**

means the general consulting, implementation and/or training services to be provided to Customer.

**“Purchase Order”**

means a purchase order issued by the Customer to the Supplier for the Service.

**“Service”**

means Supplier’s online software applications purchased by Customer and maintained through Support Services by Supplier including associated offline components and ancillary online or offline services to which Customer is granted access under this Agreement.

**“Service Level Commitments”**

the service level commitments in respect of the Service to the Customer as more particularly set out in Schedule 1.

**“Term”**

means the term of this Agreement as specified in clause 3.

**“User”**

means one (or, if more than one, “Users”) of Customer’s employees, representatives, consultants, contractors or agents and other persons expressly permitted by Customer in connection with Customer’s business affairs who are authorized to use the Service and have been supplied User identifications and passwords by Customer.

**2. INTERPRETATION**

- Person:** The expression “person” means any individual, firm, body corporate, unincorporated association, or partnership, government, state, or agency of a state or joint venture.
- Heading:** The index and headings to the clauses, the Appendices and Schedules of this Agreement are for convenience only and will not affect its construction or interpretation.
- Statutes:** Any reference to a statute or statutory provision and all regulations and notices made pursuant to it (whether made before or after the date of this Agreement), includes a reference to the same as from time to time amended, modified, extended, re-enacted, consolidated, or replaced provided that amendments, consolidations, modifications, extensions, re-enactments or replacements made after the date of this Agreement will not have substantively changed any provision which is relevant to this Agreement.
- Provisions of the Agreement:** Any reference in this Agreement to a clause, Schedule or Appendix is a reference to a clause, Schedule or Appendix of this Agreement and references in any Schedule or Appendix to paragraphs relate to the paragraphs in that Schedule or Appendix. The Schedules and Appendices form part of this Agreement and will have the same force and effect as if expressly set out in the body of this Agreement and any reference to this Agreement will include the Schedules and Appendices.
- Writing:** Any references to “writing” or “written” includes references to any communication effected by post, facsimile, email or any comparable means.

**3. TERM**

- This Agreement shall unless terminated in accordance with clause 19, commence on the Effective Date and shall continue for an initial period of XXXX (X) years therefrom (the “Initial Term”).
- The term of this Agreement shall automatically extend for a period of one (1) year (the “Extended Term”) at the end of the Initial Term and at the end of each Extended Term, unless either party gives written notice to the other party not later than three (3) months before the end of the Initial Term or the relevant Extended Term, to terminate this Agreement at the end of the Initial Term or the relevant Extended Term, as the case may.

**4. CUSTOMER USE OF THE SERVICE**

- Supplier grants Customer a license to access and use the Service during the Term via the internet under and subject to the terms of this Agreement. Supplier reserves the right to make changes and updates to the functionality and/or documentation of the Service from time to time.

**5. FEES AND PAYMENT**

- Customer agrees to pay fees as set forth in the Pricing Schedule (“Service Fees”).
- The Service Fees are to be paid annually in advance commencing on the Effective Date of this agreement and are non-refundable.

3. The Service Fees shall be billable and payable annually in advance for a twelve (12) month period at a time (a “**Service Year**”) on the anniversary of the Effective Service Date (“**Renewal Date**”) for the first year and for each year thereafter the Service Fees shall be payable annually in advance on each subsequent anniversary of the Renewal Date. One month prior to the expiry of a Service Year (“**Service Year Expiry Date**”) the Service Fees for the Service Year will be invoiced by the Supplier to the Customer in respect of the Service to be provided in the following Service Year. The Customer shall pay the Service Fees on or before the relevant Service Year Expiry Date.
  4. Where any additional Service(s) is acquired by the Customer during the period between one Renewal Date and the next Renewal Date (the “**Installation Year**”) the Service Fees payable shall be calculated pro-rata, from the date of the Purchase Order for the Service(s) in the Installation Year up to the next Renewal Date applicable to Customer’s other Licenses. For all subsequent years thereafter, the Service Fees shall be payable annually in advance on each anniversary of the Renewal Date in accordance with this Agreement.
  5. Where the Supplier performs Professional Services under this Agreement (such as configuration of the Support Service if requested by Customer or migration of Customer Data to the Service), such services shall be invoiced by the Supplier on a time and material basis in accordance with the Supplier’s rates in effect at the time of provision of such services (“**Professional Services Fees**”) unless otherwise agreed in writing between the Parties and will be payable without withholding, deduction or off set of any amounts for any purpose.
  6. The Service Fees and Professional Service Fees do not include local or foreign taxes, duties, fees, and levies imposed from time to time by any government or other authority (“**Taxes**”) and such Taxes, where applicable, will be payable by the Customer on the Service Fees and Professional Services Fees, at the rate applicable at the time of supply of the Service and/or Professional Services.
  7. The Customer shall pay each invoice within thirty (30) days of receipt of this invoice.
  8. Customer agrees to provide Supplier billing and contact information as Supplier may reasonably require. Customer agrees to update this information promptly by means of email to the Supplier and in any case within fifteen (15) days, if there is any change.
- 6. NON-PAYMENT**
1. Customer’s account will be considered delinquent (in arrears) if the Supplier has not received payment in full within thirty (30) days after the due date, and without prejudice to any other rights and remedies of the Supplier;
  2. Interest shall accrue on any payments (or any part thereof) outstanding at a rate of one and a half per cent (1.5%) per month or the highest rate allowed by applicable law, whichever is lower, plus all expenses of collection, including reasonable legal fees and court costs;
  3. Subject to clause 6.4 below, the Supplier may, upon giving ten (10) days written notice but without liability to the Customer, disable/suspend the Customer’s password account and access to all part of the Service until the Supplier shall be under no obligation to provide any call of the Service while an invoice (or any part thereof) remain unpaid;
  4. Supplier may, in its discretion, decide not to exercise its rights under clause 6.2 (interest) and 6.3 (suspension), if Customer is disputing the applicable Service Fees and/or Professional Services Fees reasonably and in good faith and is cooperating diligently to resolve the dispute.
  5. Supplier reserves the right to impose a reconnection fee if the Service is suspended (as a result of Customer’s breach) but subsequently reinstated.
  6. Without recourse to clause 6.1 (delinquency), Supplier reserves the right to terminate this Agreement if Customer’s account falls into arrears thirty (30) days after the due date.
- 7. RESTRICTIONS ON USE OF THE SERVICE**
1. The Customer may not:
    - 7.1.1 make the Service or use the Service for the benefit of anyone else other than the Customer and the Customer’s Users. Customer shall access and use the Service only to the extent of authorizations acquired by the Customer in accordance with this Agreement (for example the quantity specified in the relevant Purchase Order) and Customer agrees that the Customer is solely responsible for use of the Service by any Users who access and/or use the Service. Customer agrees to immediately notify the Supplier if Customer becomes aware of any loss or theft or unauthorized use of Customer’s account credentials.
    - 7.1.2 sublicense, resell or supply the Service for use in or for the benefit of any other organization, entity, business, or enterprise without Supplier’s prior written consent;
    - 7.1.3 submit to the Service any material that is illegal, misleading, defamatory, indecent or obscene, in poor taste, threatening, infringing of any third-party proprietary rights, invasive of personal privacy, or otherwise objectionable (collectively “**Objectionable Matter**”). Customer will be responsible to ensure that its Users do not submit any Objectionable Matter. In addition, the Supplier may, at its option, adopt rules for permitted and appropriate use and may update them from time to time on the Supplier web site and Customer and Customer’s Users will be bound by any such rules. Supplier reserves the right to remove any Customer Data that constitutes Objectionable Matter or violates any Supplier rules regarding appropriate use but is not obligated to do so. Customer and Customer’s Users will comply with all applicable laws regarding Customer Data and use of the Service.
    - 7.1.4 interfere with or disrupt the integrity or attempt to gain unauthorized access to the Service or the Supplier’s intellectual property therein;
    - 7.1.5 copy the Service or any part, feature, function or user interface thereof;
    - 7.1.6 frame or mirror any part of any Service on any other server or wireless or internet-based device outside of the agreed usage in this contract; or

- 7.1.7 access any part of the Service in order to build a competitive product or service or to build a product using similar ideas, features, functions or graphics of the Service;
2. Supplier reserves the right to disable, suspend or terminate this Agreement for cause in case the Customer breaches the provisions of this clause 7.

## 8. CUSTOMER DATA

1. The Customer shall own all rights, title and interest in and to all of the Customer Data and shall have sole responsibility for the legality, reliability, integrity, accuracy and quality of the Customer Data.
2. Supplier will use best efforts to provide protection using current technological standards to protect Customer Data against unauthorized disclosure or use.
3. In the event of any loss or damage to Customer Data, the Customer's sole and exclusive remedy shall be for the Supplier to use reasonable commercial endeavors to restore the lost or damaged Customer Data from the latest back-up of such Customer Data maintained by the Supplier. The Supplier shall not be responsible for any loss, destruction, alteration, or disclosure of Customer Data caused by any third party (except those third parties sub-contracted by the Supplier to perform services related to Customer Data maintenance and back-up).
4. Subject to the terms and conditions of this Agreement, Customer grants to Supplier a non-exclusive license to use, copy, store, transmit and display Customer Data to the extent reasonably necessary to provide and maintain the Service.

## 9. CUSTOMER'S OBLIGATIONS

1. The Customer shall:
  - 9.1.1 provide the Supplier with:
    - (i) all necessary co-operation in relation to this Agreement; and
    - (ii) all necessary access to such information as may be required by the Supplier in order to render the Service, including but not limited to Customer Data, security access information and configuration services;
  - 9.1.2 comply with all applicable laws and regulations with respect to its activities under this Agreement;
  - 9.1.3 carry out all other Customer responsibilities set out in this Agreement in a timely and efficient manner. In the event of any delays in the Customer's provision of such assistance as agreed by the parties, the Supplier may adjust any agreed timetable or delivery schedule as reasonably necessary;
  - 9.1.4 ensure that the Users use the Service in accordance with the terms and conditions of this Agreement and shall be responsible for any User's breach of this Agreement;
  - 9.1.5 obtain, maintain and renew all necessary licenses, consents, and permissions necessary for the Supplier, its contractors and agents to perform their obligations under this Agreement, including without limitation the Service;
  - 9.1.6 ensure its networks and systems comply with the relevant specifications provided by the Supplier from time to time;
  - 9.1.7 shall be solely responsible for procuring and managing all Application Passwords as Customer will be the only party with knowledge of its passwords. If Customer makes such Application Passwords available to any third party, Customer shall be liable for all actions taken by such third party in connection with the Service. Customer shall not disclose or make available the Application Password other than to Customer's authorized employees or contractors, shall use all commercially reasonable efforts to prevent unauthorized access to, or use of, the Application Password and the Service and will notify the Supplier promptly of any such unauthorized access or use and make any disclosures related to such unauthorized access or use which may be required under any applicable laws; and
  - 9.1.8 be solely responsible for procuring and maintaining its network connections and telecommunications links from its systems to the Supplier, and all problems, conditions, delays, delivery failures and all other loss or damage arising from or relating to the Customer's network connections or telecommunications links or caused by the internet.

## 10. PROFESSIONAL SERVICES

1. Customer may retain Supplier to perform Professional Services as the parties may agree upon in writing ("Work Order"). Supplier will use reasonable efforts to carry out the Professional Services stated in the Work Order and to provide any resulting functionality in the Service made available online to Customer and Customer's Users. Except as the parties otherwise agree in a Work Order, Professional Services and the results thereof are made available "AS IS."
2. Unless otherwise agreed in writing either under this Agreement or in the Work Order, Professional Services are provided by Supplier on a time and materials basis. Maintenance and support of code or functionality created by means of Professional Services will likewise be on a Work Order basis under this clause 10 unless otherwise agreed in writing. The code and functionality made or provided under this clause 10 and all proprietary and intellectual property interests therein, will be Supplier's property. Access to the results of Professional Services will be available, subject to any further terms as may be agreed between the parties, as part of the Service during the Term unless otherwise agreed in writing.

## 11. INTELLECTUAL PROPERTY RIGHTS

1. Customer will not acquire any title copyright or other proprietary rights or Intellectual Property Rights in the Service or to the source code of the Service including in any materials or supporting documentation provided under the Service as provided in this Agreement.
2. The Supplier shall at all times be the sole owner of all title and Intellectual Property Rights emanating from any intellectual property, additional coding, data or patents, any discovery, invention, secret process, development, research or improvement in procedure that may be generated in connection with this Agreement including, but not limited to, any derivative works and Customer-specific enhancements and modifications. All intellectual property and other proprietary rights made, conceived or

developed by the Supplier alone or in connection with the Customer in the course of the supply of the Service shall at all times be and remain the sole and exclusive property of the Supplier along with any improvement of any process, know-how, technology and any other materials in respect of the Service to be provided under this Agreement.

3. The Customer agrees not to remove, modify or use in any way any of Supplier's proprietary marking, including any trademark, product or service names or copyright notice, without the prior written consent of the Supplier.

## 12. PRIVACY

Supplier agrees to implement its privacy policies in effect from time to time.

## 13. SERVICE LEVEL WARRANTY

Supplier warrants during the Term of this Agreement that the Service will meet the Service Level Commitment stated in Schedule 1.

## 14. ADDITIONAL WARRANTIES

Each party represents and warrants that it has the legal power and authority to enter into this Agreement.

## 15. INDEMNIFICATION

1. Supplier will defend, indemnify, and hold Customer (and its officers, directors, employees and agents) harmless from and against all costs, liabilities, losses, and expenses (including reasonable legal fees) (collectively, "Losses") arising from any third-party claim, suit, action, or proceeding arising from the actual or alleged infringement of any copyright, patent, trademark, or misappropriation of a trade secret by the Service or Supplier Content (other than that due to Customer Data). In case of such a claim, Supplier may, in its discretion, procure a license that will protect Customer against such claim without cost to Customer or replace the Service with a non-infringing Service. THIS CLAUSE 15.1 STATES CUSTOMER'S SOLE AND EXCLUSIVE REMEDIES FOR INFRINGEMENT OR CLAIMS ALLEGING INFRINGEMENT. This indemnity by Supplier shall not apply to the extent that the claim of infringement of Intellectual Property Rights arose as a result of i) any negligent act or omission or willful misconduct of the Customer pursuant to this Agreement; (ii) any misuse or modification of the Service by the Customer, including, but not limited to the Customer's use of the Service in a manner inconsistent with information, directions, specifications, or instructions provided and approved by Supplier; (iii) the Customer's use of the Service in combination or conjunction with any product, service, device, or method not owned, developed, furnished, recommended, or approved by Supplier; (iv) the combination, operation or use of the Service with non-Supplier programs, data, methods or technology if such infringement would have been avoided without the combination, operation or use of the Service with other programs, data, methods or technology, or (v) Customer's breach of any of the provisions of section 7 of this Agreement.
2. Customer will defend, indemnify, and hold Supplier (and its officers, directors, employees and agents) harmless from and against all Losses arising out of or in connection with a claim, suit, action, or proceeding by a third party (i) alleging that the Customer Data or other data or information supplied by Customer infringe the intellectual property rights or other rights of a third party or has caused harm to a third party or (ii) arising out of breach of clause 7 above.
3. Customer will defend, indemnify, and hold Supplier (and its officers, directors, employees and agents) harmless from any expense or cost arising from any third-party subpoena or compulsory legal order or process that seeks Customer Data and/or other Customer-related information or data, including, without limitation, prompt payment to Supplier of all costs (including legal fees) incurred by Supplier as a result. In case of such subpoena or compulsory legal order or process, Customer also agrees to pay Supplier for its staff time in responding to such third-party subpoena or compulsory legal order or process at Supplier's then applicable hourly rates.
4. In case of any claim that is subject to indemnification under this Agreement, the party that is indemnified ("Indemnitee") will provide the indemnifying party ("Indemnitor") reasonably prompt notice of the relevant claim. Indemnitor will defend and/or settle, at its own expense, any demand, action, or suit on any claim subject to indemnification under this Agreement. Each party will cooperate in good faith with the other to facilitate the defense of any such claim and will tender the defense and settlement of any action or proceeding covered by this clause 15 to the Indemnitor upon request. Claims may be settled without the consent of the Indemnitee, unless the settlement includes an admission of wrongdoing, fault, or liability.

## 16. DISCLAIMERS AND LIMITATIONS

1. Except with regard to Customer's payment obligations under clause 5 and with regard to either party's indemnification obligations under clause 15, in no event will either party's aggregate liability exceed the Service Fees due for the preceding twelve (12) month period at the time of the event or circumstance giving rise to such claim. Except in regard to Customer's breach of clause 7, in no event will either party be liable for any indirect, special, incidental, consequential damages of any type or kind (including, without limitation, loss of data, revenue, profits, use or other economic advantage).
2. The Supplier is not responsible for any defects or damages resulting from Customer's or Customer's agents or employees mishandling, abuse, misuse, accident, or Force Majeure. The Customer agrees to inform the Supplier of any Customer system change that may reasonably be expected to affect the Supplier's ability to provide the Service and shall notify the Supplier of any change to its IT configuration affecting the Services. The Supplier shall not be held responsible for the availability of telephone lines, the Internet, electricity, or servers outside its reasonable control. The Supplier provides no warranty or guarantee in relation to speed of delivery of the Service, including the speed of any restores. The speed of delivery of the Service is dependent on factors outside the control of the Supplier including inter alia the speed, functionality and condition of the Customer's IT infrastructure, the amount of data being restored and/or the bandwidth of the Customer's internet connection. Any errors caused arising from the inadequacy or defectiveness of the Customer's IT infrastructure and/or the connectivity and bandwidth of the Customer's internet connection may affect the delivery of the Service including the performance of any restores. The Supplier will notify

Customer of any technical failures in respect of delivery of the Service of which it is aware and subject to the terms of the Service Level Commitments, will endeavor to work with Customer to assist with rectification of any such failures. Customer acknowledges that changes may be required to the Customer's IT infrastructure and/or to its internet connectivity including its bandwidth capacity or otherwise to improve the speed, performance and/or delivery of the Service. Customer shall be responsible for the cost of any such changes. Any administrative and technical notifications in respect of the delivery of the Service will be sent by email to the Customer.

3. Except as set forth in the Service Level Commitments, the Supplier makes no warranty that the Service will be uninterrupted, timely, secure or error free. The Supplier expressly disclaims all liability howsoever arising from any change made to the Customer's IT configuration of the Client Environment of which Customer has not notified the Supplier in writing. No statement, whether oral or written, obtained by Customer from the Supplier shall create any warranty not expressly made herein.
4. The Customer recognizes that the Internet consists of multiple participating networks that are separately owned and not subject to the Supplier's control. The Customer agrees that the Supplier shall not be liable for damages incurred or sums paid when the Service is temporarily or permanently unavailable due to malfunction of, or cessation of, internet services by networks or Internet service providers not subject to the Supplier's control, or for transmission errors in, corruption of, or the security of the Customer Data or data transmitted through the Service carried on such networks or Internet service providers. The Supplier shall have no liability hereunder for damages incurred or sums paid due to any fault of Customer or any third party, or by any harmful components (such as computer viruses, worms and computer sabotage). The Supplier is not liable for any breach of security on the Customer's network, regardless of whether any remedy provided in this Agreement fails in its essential purpose.
5. THE WARRANTIES EXPRESSLY STATED IN THIS AGREEMENT ARE THE SOLE AND EXCLUSIVE WARRANTIES OFFERED BY SUPPLIER. THERE ARE NO OTHER WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THOSE OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. THE SERVICES ARE PROVIDED TO CUSTOMER ON AN "AS IS" AND "AS AVAILABLE" BASIS. CUSTOMER ASSUMES ALL RESPONSIBILITY FOR DETERMINING WHETHER THE SERVICE OR THE INFORMATION GENERATED THEREBY IS ACCURATE OR SUFFICIENT FOR CUSTOMER'S PURPOSES.

#### 17. CONFIDENTIALITY

1. "Confidential Information" means non-public information, technical data or know-how of a party and/or its Affiliates, which is furnished to the other party in written or tangible form in connection with this Agreement. Oral disclosure will also be deemed Confidential Information if it would reasonably be considered to be of a confidential nature or if it is confirmed at the time of disclosure to be confidential.
2. Notwithstanding the foregoing, Confidential Information does not include information which is: (i) already in the possession of the receiving party and not subject to a confidentiality obligation to the providing party; (ii) independently developed by the receiving party; (iii) publicly disclosed through no fault of the receiving party; (iv) rightfully received by the receiving party from a third party that is not under any obligation to keep such information confidential; (v) approved for release by written agreement with the disclosing party; or (vi) disclosed pursuant to the requirements of law, regulation or court order, provided that the receiving party will promptly inform the providing party of any such requirement and cooperate with any attempt to procure a protective order or similar treatment.
3. Neither party will use the other party's Confidential Information except as reasonably required for the performance of this Agreement. Each party will hold in confidence the other party's Confidential Information by means that are no less restrictive than those used for its own confidential materials. Each party agrees not to disclose the other party's Confidential Information to anyone other than its employees or subcontractors who are bound by confidentiality obligations and who need to know the same to perform such party's obligations hereunder. The confidentiality obligations set forth in this clause 17 will survive for five (5) years after the termination or expiration of this Agreement.
4. Upon termination or expiration of this Agreement, except as otherwise agreed in writing or otherwise stated in this Agreement, each party will, upon the request of the disclosing party, either: (i) return all of such Confidential Information of the disclosing party and all copies thereof in the receiving party's possession or control to the disclosing party; or (ii) destroy all Confidential Information and all copies thereof in the receiving party's possession or control. The receiving party will then, at the request of the disclosing party, certify in writing that no copies have been retained by the receiving party, its employees or agents.
5. In case a party receives legal process that demands or requires disclosure of the disclosing party's Confidential Information, such party will give prompt notice to the disclosing party, if legally permissible, to enable the disclosing party to challenge such demand.

#### 18. DATA PROTECTION

1. The parties agree that the Customer is the Data Controller and the Supplier is the Data Processor in respect of any Personal Data.
2. The Supplier will:
  - 18.2.1 take appropriate technical and organizational measures against unauthorized or unlawful processing of, and accidental loss or destruction of, or damage to, Personal Data, having regard to the state of technological development and the cost of implementing any measures, to ensure a level of security appropriate to the harm that might result from such unauthorized or unlawful processing, accidental loss, destruction or damage and the nature of the Personal Data;
  - 18.2.2 only process Personal Data in accordance with instructions from the Customer and the Customer shall not provide the Supplier access to sensitive personal information that imposes specific security data security obligations for the processing of such data.; and
  - 18.2.3 take reasonable steps to ensure the reliability of its employees who have access to the Personal Data.

#### 19. TERMINATION

1. If a party:

- a. commits a material breach of this Agreement which cannot be remedied; or
  - b. commits a material breach of this Agreement which can be remedied but fails to remedy that material breach within sixty (60) days of a written notice setting out the breach and requiring it to be remedied being given by the other party (or such longer period where agreed between the parties.
- the other party may terminate this Agreement immediately by giving not less than sixty (60) days' written notice to that effect to the party in breach. A breach can be remedied if the party in breach can comply with the relevant obligation in all respects other than as to time of performance unless time of performance of such obligation is of the essence. This clause 19.1 will not apply to any failure by the Customer to make any payment due to the Supplier under this Agreement on or before the due date. Clause 19.2 will apply instead to any such failure.
2. The Supplier may terminate this Agreement by giving not less than thirty (30) days' written notice to that effect to the Customer if the Customer fails to make any payment due to the Supplier under this Agreement within sixty (60) days after the relevant due date for payment.
  3. Either party may terminate this Agreement immediately by giving written notice to that effect to the other party if the other party becomes insolvent. Each party will notify the other party immediately upon becoming insolvent.
  4. If an application for an administration order, a notice of intention to appoint an administrator or a winding up petition is the only grounds for giving notice to terminate, that notice will be deemed to be ineffective if:
    1. in the event of an application for an administration order being made, that application is withdrawn or dismissed within ten (10) Business Days of being made;
    2. in the event of a notice of intention to appoint an administrator being filed, no administrator is appointed within ten (10) Business Days of the notice being filed; or
    3. in the event of a winding up petition being presented, that petition is withdrawn or dismissed prior to advertisement and within ten (10) Business Days of presentation.
  5. The Supplier's rights of termination set out in this Agreement are in addition to and not in substitution for any rights of termination which may exist at common law.
  6. Termination of this Agreement for any reason, shall not affect the accrued rights, remedies, obligations or liabilities of the parties existing at termination.

## 20. CONSEQUENCES OF TERMINATION

1. The termination of this Agreement howsoever arising is without prejudice to the rights, duties and liabilities of either party accrued prior to termination.
2. If the Supplier terminates or suspends the Service under this Agreement, Customer must pay within thirty (30) days all Service Fees and Professional Services Fees that have accrued prior to such termination or suspension, as well as any fees that remain unpaid for the Service up to date of termination or suspension plus related travel and expenses. If the Agreement is terminated by Customer for any reason other than a termination expressly permitted by the Agreement, Customer agrees that the Supplier shall be entitled to the Service Fees payable for the Service under the Agreement for the entire Initial Term or if terminated during an Extended Term, the Service Fees payable for the entire Extended Term, unless a provision to the contrary is stipulated in the Agreement.
8. The clauses in this Agreement which expressly or impliedly have effect after termination will continue to be enforceable notwithstanding termination.
9. The Customer shall not be entitled on or after the termination of this Agreement for any reason whatsoever to a rebate of any Service Fees paid in advance of their due date.
10. On termination of this Agreement howsoever arising the Customer will at the direction of the Supplier return to the Supplier any documents in its possession or control which contain or record any Confidential Information.

## 21. FORCE MAJEURE

1. Neither party to this Agreement will be deemed to be in breach of this Agreement or otherwise liable to the other party in any manner whatsoever for any failure or delay in performing its obligations under this Agreement due to Force Majeure, provided that it has complied and continues to comply with its obligations set out in clause 21.2. "Force Majeure" means in this Agreement catastrophic events of environmental and unforeseen nature. Examples defined as Force Majeure include, but are not limited to, hurricanes, tornados, earthquakes, and others of like unforeseen environmental impacts.
2. If a party's performance of its obligations under this Agreement is affected by Force Majeure:
  1. it will give written notice to the other party, specifying the nature and extent of the Force Majeure, within seven days of becoming aware of the Force Majeure and will at all times use all reasonable endeavors to bring the Force Majeure event to an end and, whilst the Force Majeure is continuing, to mitigate its severity, without being obliged to incur any expenditure;
  2. subject to the provisions of clause 21.3, the date for performance of such obligation will be deemed suspended only for a period equal to the delay caused by such event; and
  3. it will not be entitled to payment from the other party in respect of extra costs and expenses incurred by virtue of the Force Majeure.
3. If the Force Majeure in question continues for more than three (3) months a party may give written notice to the other to terminate this Agreement. The notice to terminate must specify the termination date, which must not be less than fifteen (15) days and once such notice has been validly given, this Agreement will terminate on that termination date.
4. If the Agreement is terminated in accordance with clause 21.3, then neither party will have any liability to the other except that rights and liabilities which accrued prior to such termination will continue to exist.

**22. EMPLOYEES NON-SOLICITATION**

1. Notwithstanding any degree of supervision exercised by either party over employees of the other, in no circumstances will the relationship of employer and employee be deemed to arise between either party and an employee of the other.
2. Unless this Agreement is earlier terminated by reason of the Supplier’s Insolvency (“Insolvency Event”) when no such restrictions shall apply, during the term of this Agreement and for a period of six months after its termination, Customer will not and will ensure that its Affiliates will not, directly or indirectly, without the prior written consent of the other, solicit, or permit any of its group companies to solicit or entice, the employment of any person who is employed by the other party or any of its group companies and whose role either wholly or partly relates to the provision of the Service or the performance of this Agreement. For the purposes of this clause 22, “solicit” or “entice” means the soliciting or enticing of such person with a view to engaging such person as an employee, director, subcontractor, consultant or independent contractor or through a company owned by such person or his or her family but will not apply in the case of any such person responding without enticement to a job advertisement which is capable of being responded to by members of the public (or sections thereof) generally.
3. In such circumstances where the Supplier suffers an Insolvency Event, nothing in this clause 22 will prohibit the Customer from soliciting or enticing or attempting to solicit or entice the employment of any of the key personnel for the duration of that Insolvency Event.

**23. ASSIGNMENT**

1. Either party may assign, novate or deal in any other manner with any of its rights and obligations under this Agreement.
2. Subject to the foregoing, this Agreement will be binding upon, and inure to the benefit of the parties and their respective successors and permitted assigns.

**24. NOTICES**

1. Notices will be in writing, in the English language, marked for the attention of the specified representative of the party to be given the notice or communication and:
  1. sent by pre-paid first-class post to that party’s address;
  2. sent by e-mail to that party’s e-mail address (with a copy sent by pre-paid to that party’s address within twenty-four (24) hours after sending the e-mail).

The address, e-mail address and representative for each party are set out below and may be changed by that party giving at least five (5) Business Days’ notice in accordance with this clause 24:

		<b>PrimeGov Finance Solutions Inc.</b>
		342 Perry Street
		Harrisburg, PA 17101
Attention of:		Attention of: <b>PrimeGov Finance</b>
		billing@primegov.com

2. Any Notice given in accordance with 24.1 will be deemed to have been served:
  1. if given as set out in clause 24.1.1 at 9.00 am on the second Business Days after the date of posting; or
  2. if given as set out in clause 21.2.3, at the time of sending (except that if an automatic electronic notification is received by the sender within twenty-four (24) hours after sending the e-mail informing the sender that the e-mail has not been delivered to the recipient or that the recipient is out of the office, that e-mail will be deemed not to have been served).

**25. RELIANCE ON REPRESENTATIONS**

1. The Customer acknowledges that this Agreement has not been entered into wholly or partly in reliance on, nor has the Supplier given or made, any warranty, statement, promise or representation other than as expressly set out in this Agreement.
2. Nothing in this clause 25 will exclude any liability which one party would otherwise have to the other party in respect of any statements made fraudulently.

**26. SET-OFF OR WITHHOLDING**

All payments to be made by the Customer to the Supplier under this Agreement will (in the absence of express written agreement from the Supplier) be made in full without any set-off, restriction or condition and without any deduction or withholding for or on account of any counterclaim or any present or future taxes, levies, duties, charges, fees, deductions or withholdings of any nature unless the Customer is required by law to make any such deduction or withholding and Customer has given prior notification to Supplier of such legal obligations on the Customer’s part.

**27. ENFORCEMENT BY THIRD PARTIES**

The terms and conditions of this Agreement are for the sole benefit of the parties and nothing herein will be construed as giving any rights to any person or party not a party to it.

**28. INVALIDITY/SEVERABILITY**

If any clause or part of this Agreement is found by any court, tribunal, administrative body or authority of competent jurisdiction to be illegal, invalid or unenforceable then that provision will, to the extent required, be severed from this Agreement and will be ineffective



without, as far as is possible, modifying any other clause or part of this Agreement and this will not affect any other provisions of this Agreement which will remain in full force and effect.

**29. VARIATION**

This Agreement may only be varied or amended in writing and signed by the parties or their authorized representatives of each of the parties.

**30. WAIVER**

No failure or delay by the Supplier to exercise any right, power or remedy will operate as a waiver of it nor will any partial exercise preclude any further exercise of the same, or of some other right, power or remedy.

**31. DISPUTE RESOLUTION**

1. If a dispute arises out of or in connection with this Agreement or the performance, validity or enforceability of it (“Dispute”) then, except as expressly provided in this Agreement, the parties shall follow the dispute resolution procedure set out in this clause 31.
2. The parties will initially seek to resolve the Dispute through discussion and negotiation in good faith between the appropriate officers of the parties. If the Dispute is not resolved, through discussion and negotiation under this section, within thirty (30) days (or such alternative time period as may be agreed between the Parties), the following procedure will apply:-
  1. Any dispute relating to the terms, interpretation or performance of this Agreement (other than claims for preliminary injunctive relief or other pre-judgment remedies) will be resolved at the request of either party through binding arbitration. Arbitration will be conducted under the rules and procedures of the American Arbitration Association (“AAA”). The parties will request that AAA appoint a single arbitrator. Judgment on the arbitrator’s award may be entered in any court having jurisdiction. In the event any provision of this Agreement is held by a tribunal of competent jurisdiction to be contrary to the law, the remaining provisions of this Agreement will remain in full force and effect and an enforceable provision that most closely reflects the parties’ intent will be substituted for the unenforceable provision. The waiver of any breach or default of this Agreement will not constitute a waiver of any subsequent breach or default, and will not act to amend or negate the rights of the waiving party.

**32 GOVERNING LAW AND JURISDICTION**

- 32.1 The formation, existence, construction, performance, validity and all aspects whatsoever of this Agreement or of any term of this Agreement will be governed by the laws of the State of California.
- 32.2 The courts of California will have non-exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Agreement. The parties irrevocably agree to submit to that jurisdiction except that either party may seek injunctive relief in any court of competent jurisdiction.

**33 MERGER AND MODIFICATION**

This Agreement, including the attached documents, constitutes the entire agreement between the parties. There are no understandings, agreements, or representations, oral or written, not specified within this Agreement. This Agreement may not be modified, supplemented, or amended, in any manner, except by written agreement signed by both parties.

**34 INTERLOCAL AGREEMENT**

This Agreement may be extended for use by other municipalities and governmental agencies upon execution of an addendum or other signed writing setting forth all of the terms and conditions for such use, including the products and services and fees applicable thereto. Any such usage by other entities must be in accordance with the code, charter, and/or procurement rules and regulations of those respective governmental entities.

**35 NONDISCRIMINATION AND COMPLIANCE WITH LAWS**

Supplier agrees to comply with all applicable laws, rules, regulations, and policies, including those relating to nondiscrimination, accessibility, and civil rights. Supplier agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes and unemployment compensation and workers' compensation premiums. Supplier shall have and keep current at all times during the term of this Agreement all licenses and permits required by law.

**SIGNED BY** the parties on the date stated at the beginning of this Agreement.

**CUSTOMER NAME**

**PRIMEGOV**

.....  
Authorized Signature

.....  
Authorized Signature

.....  
Print Name/Title

**Sherif Agib/President**  
Print Name/Title



EXAMPLE

**SCHEDULE 1 – Support Services Contract**

This Support Services Contract describes the expected performance of the PrimeGov Service, the procedures for reporting an issue, and expected turnaround time on issues reported.

1. **Service Uptime Target.** PrimeGov has a target uptime of >99.95% measured on a monthly basis. This time excludes any planned maintenance that have been identified to the Customer. PrimeGov shall give a minimum of two (2) business days’ notice for planned maintenance updates. Planned maintenance will be targeted to occur between 12:00 a.m. (midnight) to 03:00 a.m. Mountain Time on Friday. Update notes are published as part of the maintenance notification, highlighting new features, improvements, and bug fixes. Maintenance time frames are subject to change by PrimeGov, and proper notification is provided to the Customer within the minimum two (2) business day period.

2. **Reporting an Issue.**

a. **Contact Details.** At PrimeGov, we built our support system with alerts to anticipate any service disruption so that our Customer Success team can address any technical items before they become an issue for our customers. In the case where a Customer discovers an issue, or the Service is unavailable, the Customer should notify the PrimeGov Customer Success team through one of the following channels:

- i. Entering a ticket in the help desk system at [support.primegov.com](https://support.primegov.com).
- ii. E-mailing the Customer Success team directly at [support@primegov.com](mailto:support@primegov.com).
- iii. Calling the Customer Success team at 1-833-634-6349.

b. **Hours of Coverage.** Regular Support Services are provided between 8:00 am and 6:00 pm Mountain Time, Monday through Friday. On-call and emergency support are provided outside of regular Support Service hours online and by phone. More specifically, the hours are as follows:

- i. **Call for phone support.** Phone support is available twenty-four (24) hours a day, seven (7) days a week by calling 1-833-634-6349.
- ii. **Enter an issue in the help desk system.** This service is available twenty-four (24) hours a day, seven (7) days a week at [support.primegov.com](https://support.primegov.com).
- iii. **Email an issue to the Customer Success team.** This service is available twenty-four (24) hours a day, seven (7) days a week.

c. **Customer Priority Identification.** The Customer will supply their determined priority for each support item logged in accordance with the following Priority Code:

PRIORITY CODE	DESCRIPTION
P1 - Critical	The problem is impacting all Users by the Service being unavailable with no work-around available.
P2 - High	The problem is impacting a significant number of Users and is causing a significant business impact, where there is no work-around available.
P3 - Moderate	The problem is impacting a small number of Users and is causing a minor business impact or is causing a significant business impact, but there is a workaround available.
P4 - Low	Non-service affecting defect. Non-urgent or cosmetic problems, queries, causing inconvenience only.

3. **Resolving an Issue**

a. **Steps to Resolution.**

- i. PrimeGov Customer Success staff will analyze the issue and revert to the Customer with an assessment of the issue.
- ii. The issue will then result in one of the following actions:
  - 1. The PrimeGov Customer Success staff will send a set of steps to close the issue with associated times.
  - 2. PrimeGov Customer Success staff will ask for more clarification/ information on the issue.
  - 3. PrimeGov Customer Success staff may discuss the priority of the issue.
  - 4. The Customer and the PrimeGov Customer Success staff will mutually agree to close or reprioritize an issue.
- iii. If a support issue is closed because it has been successfully resolved, then PrimeGov Customer Success staff will provide a brief description of the final solution to the Customer.

b. **Target Response Time.** PrimeGov will aim to provide the Customer with a response within a specific time limit based on the agreed Priority Code of the Support Issue (a “**Target Response Time**”). The following Target Response Times are within the hours of coverage:

PRIORITY CODE	DESCRIPTION	TARGET RESPONSE TIME <
P1	Critical	30 minutes



P2	High	1 hour
P3	Moderate	2 hours
P4	Low	40 hours

4. **Problem Escalation.** A Support Call's Priority Code may be escalated by either the Customer or PrimeGov, if it is found to be more business critical than first realized or if the steps to resolve are proving unsatisfactory. In the event of escalation, the following contacts from PrimeGov should be called:

ROLE	NAME	CONTACT EMAIL
Technical Support Lead	Sydney Erickson	sydney.erickson@primegov.com
Technical Support Director	Larry Thorpe	larry.thorpe@primegov.com
President	Sherif Agib	sherif@primegov.com

5. **Minor Enhancements.** Requests by the Customer for minor enhancements or changes to the Service not relating to a defect or error inherent in the Service will be considered on a case-by-case basis and will be included under this Agreement at the sole discretion of PrimeGov if in the PrimeGov software product roadmap.

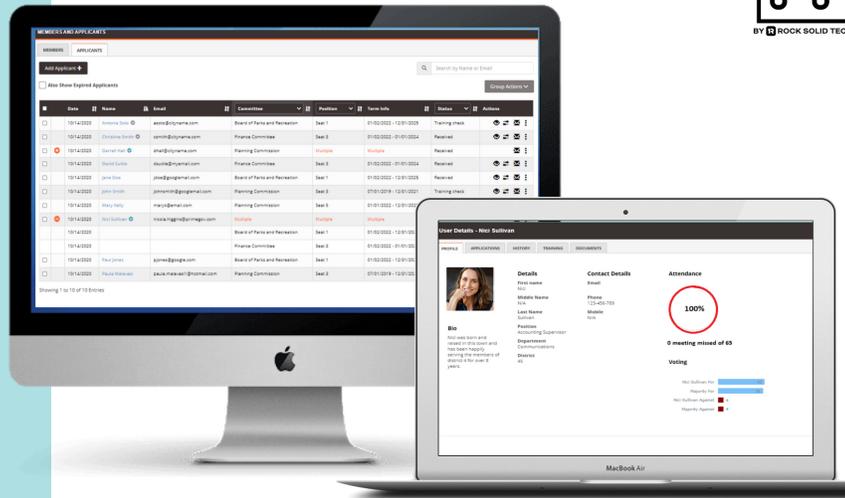
6. **Knowledge Base.** PrimeGov provides a searchable online knowledge base for questions and issue resolution is available at [support.primegov.com](http://support.primegov.com). The documentation provided includes product updates, technical assistance, and tutorials. The content is regularly updated and expanded and each article contains links to related articles for increased navigation. The knowledge base is available on the same website as the support ticket management system for ease-of-use.

7. **Exclusions**

- a. Requests by the Customer for significant enhancements or changes to the Service not relating to a defect or error inherent in the Service will be excluded from this Agreement and will be managed separately.
- b. PrimeGov is only obliged to provide the Support Services with respect to the then current version of the Service. If PrimeGov provides Support Services for older versions/releases, this is done without obligation on an "as-is" basis at PrimeGov's sole discretion and without any service level applying and PrimeGov may make the provision of further Support Services for older versions of the Service subject to the payment of additional fees.
- c. Any alteration, modification or maintenance of the Service by the Customer or any third party which has not been authorized in writing by PrimeGov.
- d. Any failure by the Customer to implement any recommendations, solutions to faults, problems or updates previously advised or delivered by PrimeGov to the Customer.
- e. Either Party being subject to Force Majeure.
- f. The Customer's failure, inability or refusal to allow PrimeGov's personnel proper and uninterrupted access to the Service.

## PrimeGov:

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single end-to-end cloud-based solution. With PrimeGov, you can seamlessly host hybrid meetings with remote voting capabilities, therefore, saving time, increasing efficiency, and promoting transparency with your constituents.



## Our Solution Helps You:



### Save Time

Save time by optimizing your agenda management processes with a single end-to-end solution.



### Enhance Accuracy

Our comprehensive workflow system ensures accuracy by reducing document review time.



### Increase Efficiency

Eliminate hours spent gathering, printing, and distributing meeting packages. Standardize and digitize your processes in a single, secure platform.



### Promote Transparency

Empower your constituents to access and consume all the meeting documents at any time at their discretion. Increase constituent involvement through virtual meetings and video streaming.



### Productive Collaboration

Increase productive collaboration with internal stakeholders by seamlessly working on agenda creation processes.



## Product Modules

### Agenda Automation

Manage agenda items from beginning to end and track them throughout the entire journey. Create agendas, packets and summaries with a single click.

### Meeting Management

Seamlessly manage your pre-meeting, during meeting, and post-meeting activities with a single interface.

### Committee Manager

An end-to-end solution tailored to save you time and end your dependency on spreadsheets for applicant tracking.

### Community Engagement

Connect the public and government through automatic website and social media updates during meetings.

### Video Streaming

Get citizens involved in the democratic process with live stream videos and on-demand recordings of public meetings and events.

## Single End-to-End Solution

### Pre-Meeting

- Customizable templates for your agenda documents
- Create and manage as many meeting types as you need
- Easily reschedule items and adjust your agenda
- Add and manage positions and terms of service for all members in all committees

### During Meeting

- Record motions, minutes, actions, and notes on an item
- Manage speaker list and timer
- Quick motion shortcuts and block voting capabilities to maximize meeting efficiency
- Allow elected officials to vote digitally for both in person and virtual meetings

### Post-Meeting

- Update meeting minutes and information immediately
- Generate comprehensive reports
- Full text search capability for item and supporting material
- Full 1080p HD responsive video capabilities. Multi-bit rate eliminates buffering



## Our Customers Love Us



"The PrimeGov program offered our city the best solution to automating our agenda management, committee management, and constituent ease of use. Internally, the program will save us vast amounts of time for staff in preparing agendas."

Jesse Guillen

Legislative Liaison, Santa Fe, NM

"We needed a product that our users embrace and find efficient, where they don't need to call IT for support" said John. "Your product nailed that. The way you guys built it, you guys knew how the clerks think...I felt that we had a light at the end of the tunnel when we found you, so I'm thankful we have found you."

John Lin

IT Manager, Ventura County

**Are you ready to optimize and digitize your agenda, meeting, and committee management processes? Take a closer look at PrimeGov**



**Email [sales@primegov.com](mailto:sales@primegov.com) to schedule a demo**

### About PrimeGov

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# PrimeGov Integrations

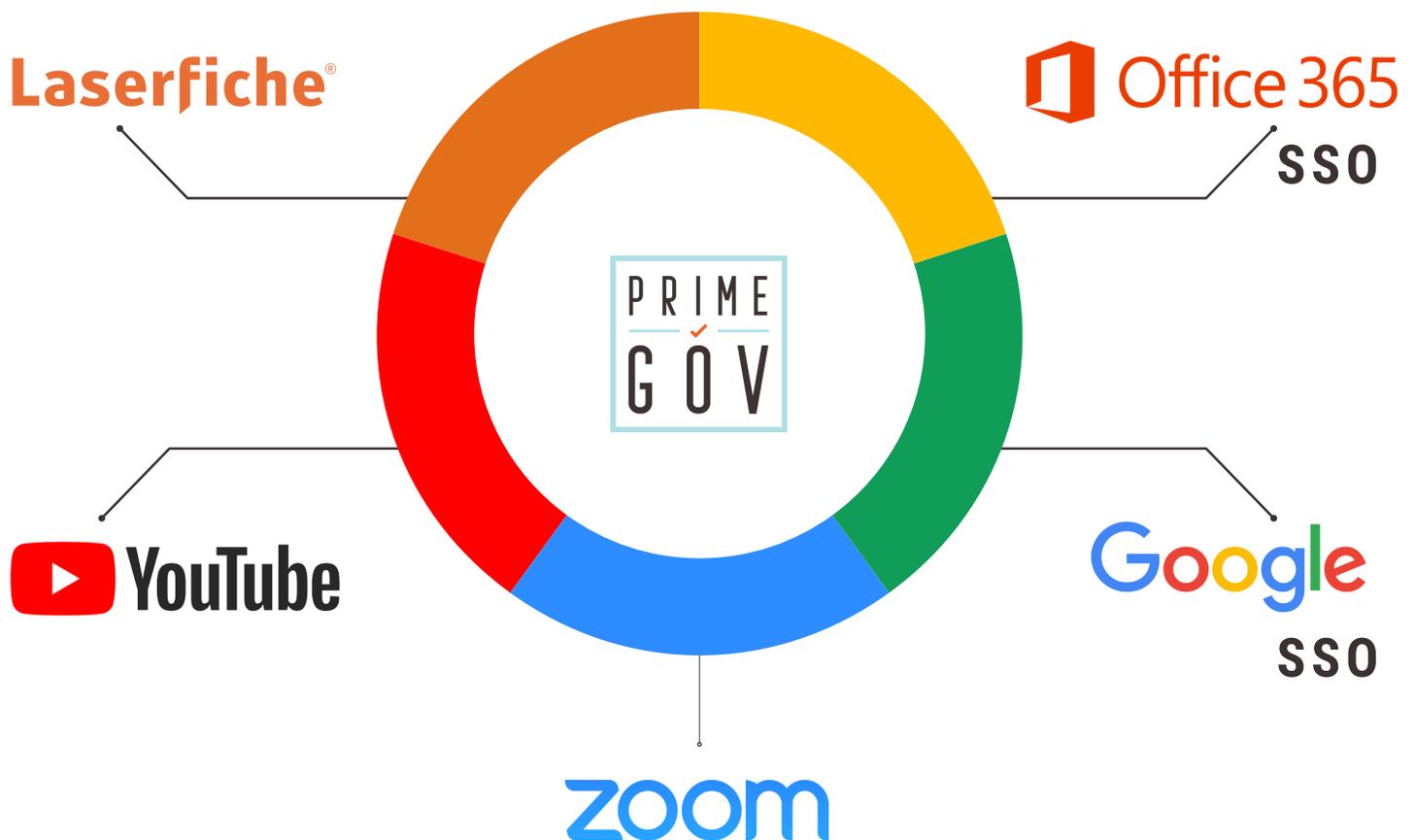
Laserfiche, Zoom, Microsoft Office365 SSO, Google SSO, and YouTube

## PrimeGov:

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single end-to-end cloud-based solution. With PrimeGov, clients can seamlessly host hybrid meetings with remote voting capabilities; therefore saving time, increasing efficiency, and promoting transparency.

We build our solution on widely used and supported web applications. Technology, particularly video, has improved dramatically over the last few years. Our role as a company isn't to reinvent the wheel but to adapt software to meet the specific needs of clerks.

We provide out-of-the-box Laserfiche, Zoom, Microsoft Office365 SSO, Google SSO, and YouTube integrations to pair our best-in-class solutions with our clients' existing systems.



# Laserfiche®

At PrimeGov, our customers' needs are our top priority. We have established a Laserfiche integration at the forefront to help our customers manage their documents and link with their existing software.

The PrimeGov integration with Laserfiche provides two primary features:

- Documents, and their related metadata, can be published to selected Laserfiche folders when pulled from PrimeGov.
- Laserfiche folders can be accessed to select files to upload when adding attachments to sections and items in PrimeGov.

Our solution removes the need for users to manually download files from one system to place in the other.

The mapping of metadata when publishing documents from the PrimeGov system into Laserfiche provides additional time savings and error reduction, ensuring data is accurate and present in all files.

*At PrimeGov we focus on the problem our clients are trying to solve, working with them to find the best possible solution. We are open to integrating with compatible providers of solutions that compliment our product, where we can work together to provide a service that helps our client get the job done.*

**Nicola Sullivan**  
VP Product Management | PrimeGov

# zoom

The world is moving to virtual and committee/board meetings are adjusting fast. At PrimeGov, we support and enable our customers to meet and to work with their users and constituents where they are: online.

We have integrated with Zoom, the popular video conferencing tool, to provide features that support virtual committee meetings. With Zoom integration, you can host virtual meetings, video conference, and:

- Live-stream video conferences directly to YouTube.
- Share meeting information with the public: items under discussion, a summary of vote results, streamed video, and more.
- Prompt members with vote options.

- Capture minutes, motions, and vote information in the PrimeGov application.
- Run and stream multiple meetings at the same time.

Our Zoom integration empowers local governments to get citizens seamlessly involved in the democratic process.



# YouTube

PrimeGov seamlessly integrates directly with YouTube to live-stream your meetings and retain all past meeting recordings. Once PrimeGov is connected to the client's YouTube channel, public meeting videos will be created and linked from PrimeGov automatically.

- Establish a direct connection to their YouTube channel.
- Automatically create videos from within PrimeGov, without the need to access YouTube.
- Control meeting settings including:
  - Privacy settings
  - Streaming options
  - Streaming resolution

- Add alternative video links from YouTube post-meeting.
- Live-stream YouTube videos and make them available post-meeting.
- Embed YouTube videos directly into our Public Portal, with direct links to indexed timestamps recorded on an item during the meeting.



## Office 365 and Google

### Single Sign-On (SSO)

Managing many passwords across multiple applications can turn into a maintenance nightmare and frustrate your users. PrimeGov has designed a single sign-on (SSO) to work with Microsoft Office365 and Google to simplify logging in and enhance security for our users.

- With SSO, PrimeGov clients can:
  - Manage user passwords in a single location: Office365 or Google.
  - Log in to PrimeGov with a single click, using saved Office365/Google passwords.
  - Reduce the issues with forgotten passwords for users.

**At PrimeGov, we take pride in our consultative approach towards product creation and enhancing the customer experience.**

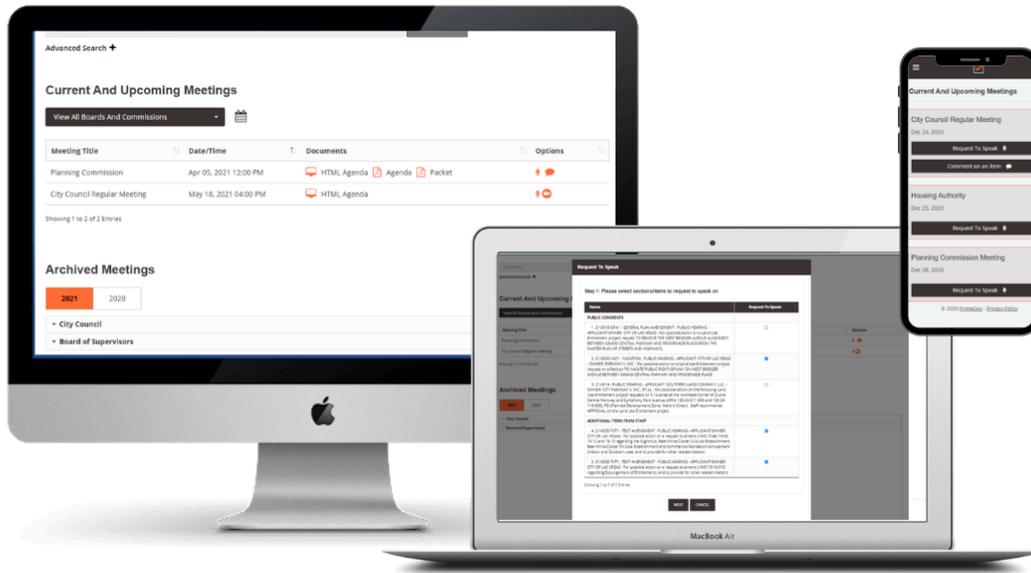


**If you have any questions, please email [sales@primegov.com](mailto:sales@primegov.com) and we will be glad to guide you.**

## About PrimeGov

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single end-to-end cloud-based solution. With PrimeGov, you can seamlessly host hybrid meetings with remote voting capabilities, therefore, saving time, increasing efficiency, and embracing transparency with your constituents.

# Keep Community Members Apprised of Public Meetings and Encourage Participation in the Process



Local governments have a significant—but underestimated—impact on the day-to-day lives of those who live, study, and work within their boundaries. Cities and counties must engage constituents in the legislative and decision-making process, yet it's challenging for officials to create a seamless experience for residents in the digital era and to remove barriers to involvement.

PrimeGov offers an out-of-the-box, holistic solution that empowers government officials to manage the front- and back-end of the engagement process and make it easier for government officials and constituents to communicate with each other

## Amplify Your Community's Participation



### Empower

Empower city officials with tools to facilitate engagement with constituents.



### Subscribe

Encourage community members to subscribe to meeting updates, video streaming, and public records.



### Engage

Engage constituents by encouraging and enabling them to speak and ask questions during meetings.

# Community Engagement Tools at Your Fingertips

## Request to Speak

- Allow constituents sign up to speak on meeting items quickly and easily.
- Individual items can be enabled for comment.
- Customizable submission form to capture the data that matters most to you.
- Speakers can be accessed and activated during the meeting.

## Submit Comments

- Allow constituents submit comments on meeting items quickly and easily.
- Attachment support option available to allow submission of supporting materials with comments Individual items can be enabled for comment.
- Customizable submission form to capture the data that matters most to you.

## Kiosk View

- Tablet-based kiosk view adds physical access to the solution.
- Allow constituents sign up to speak quickly and easily from within the meeting spaces.
- Options to view all upcoming meetings, meetings today, meetings for the next x days, or a single meeting only.

## Reports

- Onscreen reports containing relevant speaker and comment information.
- Filter to specific items to provide relevant reports.
- Export as PDF for sharing with members.

## Our solution helps you to:



### Amplify Community Participation

Designed to encourage and broaden community participation in the public meeting process.



### Seamless Communication

Facilitate two-way communication between elected officials and their constituents.



### Increase Subscribers

Allow individuals to subscribe to the updates that matter most to them.

If you are ready to amplify your community engagement, take a closer look at PrimeGov



## About PrimeGov

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single end-to-end cloud-based solution. With PrimeGov, you can seamlessly host hybrid meetings with remote voting capabilities, therefore, saving time, increasing efficiency, and embracing transparency with your constituents.

**Attachment E**  
**Vendor Risk Opinion Memo**

January 21, 2022

TO: Santos H. Kreimann  
Chief Executive Officer

Luis A. Lugo  
Deputy Chief Executive Officer

FROM: Bob Schlotfeld   
Interim Chief Information Security Officer

SUBJECT: Prime Government Solutions, Inc./ Rock Solid Technologies

LACERA has completed its due diligence and has preliminarily selected a vendor for the Agenda Management, Livestreaming, Recording, Archiving project. The project team has selected the Prime Government Solutions, Inc. (PrimeGov) application provided by Rock Solid Technologies. PrimeGov is a cloud hosted application, utilizing AWS (Amazon Web Services)

The goals and objectives of this project is to provide greater flexibility for the management of the Board and Committee meetings. Due to the broad impact of this type of implementation the Information Security Office has been requested to perform an assessment and provide a level of assurance regarding the chosen vendor.

The purpose of this memo is to provide a greater level of assurance to LACERA, its Executive Team and Trustee's regarding the firm selected for the applications and hosting. For the purposes of this review, we have extracted the appropriate RiskRecon report and have determined they have achieved satisfactory scores in the areas particular to this engagement. We have also engaged the vendor directly and they have provided the results of an independent assessment. The assessment was focused on the Rock Solid Technologies headquarters and remote offices. It included services provided by Rock Solid Technologies to the extent Rock Solid Technologies directed those services. PrimeGov is a SaaS (Software as a Service) application incorporating community management and engagement application; automate meeting agendas, meetings, and info into one application; meeting management and automation software.

Rock Solid Technologies engaged Pondurance, to conduct a National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF) risk assessment, and that included a focused review of the Rock Solid Technologies information systems environment. The purpose of this NIST CSF risk assessment and audit was for

Pondurance to assist Rock Solid Technologies in identifying a baseline of risk and maturity of the information security program at Rock Solid Technologies as it relates to the security best practices recommended by NIST.

In summary it was concluded that the Maturity level of 4 or 5 were achieved in all the essentially areas. Additionally, the NIST SP 800-53 controls for a moderate risk baselines are all implemented in the policies and procedures at Rock Solid Technologies.

<b>Function</b>	<b>Function Description</b>	<b>Rating</b>
<b>IDENTIFY</b>	Develop an understanding of the organization's systems, assets, data to manage risk.	4.63
<b>PROTECT</b>	Implement appropriate safeguards to ensure successful delivery of critical infrastructure services and provide cyber awareness training.	4.61
<b>DETECT</b>	Develops the appropriate activities to proactively and continuously monitor cyber events and identify or alert appropriate personnel.	4.72
<b>RESPOND</b>	Implements the appropriate activities and steps necessary to minimize corporate risk.	4.65
<b>RECOVER</b>	Activities required to maintain business continuity and restore capabilities or services.	5.00
<b>Average</b>		<b>4.66</b>

As the Interim Chief Information Security Officer, I attest that I have reviewed all the documentation provided. Based on the documents provided and the review of the process undertaken by the Information Systems Office, I believe the team has done an outstanding job performing its due diligence and selecting the right partner.

In general, from an Information Security viewpoint, the selection of Rock Solid’s PrimeGov to provide Agenda Management, Livestreaming, Recording and Archiving hosting services for LACERA is a trustworthy business decision.



October 28, 2022

TO: 2022 Audit Committee  
Gina V. Sanchez, Chair  
Joseph Kelly, Vice Chair  
Patrick L. Jones, Secretary  
Alan J. Bernstein  
Keith Knox  
Wayne Moore  
Herman B. Santos

Audit Committee Consultant  
Robert H. Griffin

FROM: George Lunde *GL*  
Senior Internal Auditor

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **BoardVantage Secure Document Access Review**

### **RECOMMENDATION**

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

1. Accept and file report,
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.

### **ENGAGEMENT REPORT**

**a. BoardVantage Secure Document Access Review**

George Lunde, Senior Internal Auditor  
(Report Issued: October 21, 2022)

Attachment

GL

Noted and Reviewed:

Richard P. Bendall  
Chief Audit Executive



**INTERNAL AUDIT DIVISION**

**BoardVantage Secure Document Access Review  
2022 09**

October 21, 2022

**Audit Performed By:**  
George Lunde, Senior Internal Auditor

## AUDIT REPORT

<b>Audit Name:</b>	BoardVantage Secure Document Access Review
<b>Division:</b>	Systems Division and Executive Office
<b>Audit Rating:</b>	Opportunities for Improvement
<b>Prior Audit Rating*:</b>	None
<b>Prior Report Date:</b>	None

### BACKGROUND

As part of our 2021-2022 audit plan, Internal Audit committed to a review of the Nasdaq BoardVantage (BV) application. BV is a vendor cloud-based software application acquired in 2011 by LACERA's System Division and in 2018 the Executive Office began to manage user access. It provides for a secure application on which Trustees and authorized staff can view board and committee documents. This review was included in our audit plan due to concern raised by the prior Audit Committee Chair. Upon returning as the elected retired member on the Board of Investments (BOI), he noted that he had access to restricted Board of Retirement (BOR) materials, not normally provided to BOI trustees.

There are two LACERA developed applications that support the BV application and contains all seven levels of security documents that are included on BV. These are Board Packages (BP) and Board Notes (BN).

The Executive Board Assistants use the BP application to organize board documents into public and confidential agenda item packets for board and committee meetings before transferring them to BV. Executive staff use BN for the retention of board and committee documents.

At the March 2, 2022 meeting, the BOR approved the selection of Prime Government Solutions, Inc. (PrimeGov), now called OneMeeting, a single, self-contained application that will replace BV, BP and BN. Therefore, since these applications are expected to be retired upon the implementation of PrimeGov, toward the end of the 2022 calendar year, we limited the scope of this review.

We began by obtaining an understanding of the circumstances around the reported issue of the BOI trustee having unauthorized access to restricted BOR materials and the action taken to correct and prevent further such incidents.

Based on interviews of staff and review of internal records, we determined that staff had appropriately removed the Trustee's access in 2019 when the Trustee retired. However, when the Trustee returned to service as an elected retiree on the BOI, an error occurred in adding access to BV resulting in the unauthorized access. Subsequent to the BOI Trustee raising this issue, the Executive Board Assistants implemented a review to reconcile and validate that Systems added the appropriate access for both Trustees and staff. We validated that they continue to perform these reviews and believe this will be effective in ensuring similar errors do not occur for the remaining few months life of the BV application at LACERA.

Our review scope extended to all three applications, BV, BP and BN focused on understanding and validating the controls in place to ensure that access to confidential documents was restricted to view by only authorized staff and trustees.

## AUDIT OBJECTIVE & SCOPE

---

After preliminary research and analysis, including an engagement-level risk assessment, the objective(s) of this audit were to:

- Evaluate the controls around the BV application, including controls around the process of adding, deleting, and assigning trustees and staff access to documents to which they have been preauthorized to view.
- Obtain an understanding of the BP and BN applications relationship and function related to the BV application and specifically how the security of the documents is protected from unauthorized access on these applications.

The scope of the review covered the period from January 1, 2021 to the present.

The audit was performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

## AUDIT RATING & SUMMARY OF FINDINGS

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We concluded that there are **Opportunities for Improvement** in the key controls over the BV application and the related BP and BN applications related to strengthening assurance that access to confidential documents is restricted only to those Trustees and staff authorized to have access.

Specifically, we found:

- Application owners should perform a validation of expected controls after the application setup is completed.
- Audit trails should be turned on and reviewed for all applications, particularly those that contain private member or other confidential information.
- The policy within which the Executive Board Assistants document Trustee and staff pre-authorized access levels should be continuously updated and kept current.

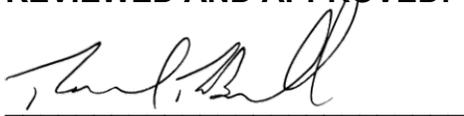
**Summary of Findings**

<b>Finding #</b>	<b>Page</b>	<b>Description of Finding</b>	<b>Risk Rating**</b>
F1	4	Expected BV application access control restrictions were not validated, and audit trails were not turned on.	High
F2	6	Supporting application (BP and BN) access was not appropriately restricted and audit trails were not fully functional and periodically reviewed.	High
F3	8	The Policy documenting Trustee and staff pre-authorized access to the seven levels of document security is not kept current.	Low

Each of the above Findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We would like to thank Executive Office and Systems Division staff for their cooperation and assistance with this audit.

**REVIEWED AND APPROVED:**



**Date:** October 21, 2022

Richard P. Bendall  
 Chief Audit Executive

**REPORT DISTRIBUTION**

2022 Audit Committee	Santos H. Kreimann, CEO	Bonnie Nolley, Executive Board Assistant
2022 Plante Moran Audit Team	Luis Lugo, DCEO	Linda El-Farra, Executive Board Assistant
Robert Griffin, Audit Committee Consultant	JJ Popowich, AEO Laura Guglielmo, AEO	Kathy Delino, Systems Division
Internal Audit Group	Steven P. Rice, Chief Legal Counsel	Bob Schlotfeldt, CISO

\*\* See Appendix 2 for Finding's Risk Rating

## FINDING # 1

Expected application document access control restrictions were not validated and audit trails were not turned on.	<b>Risk Rating**</b> High
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## OBSERVATION

We determined that only the two Executive Board Assistants and the CEO are supposed to have access to all seven security levels of documents in LACERA. All other authorizations of staff access are managed by the Executive Board Assistants through a dynamic Policy. Additions of Trustees or staff to any restricted security levels are approved by the CEO. Further an appropriate segregation of duties exists as the Systems Division (Systems) BV Administrator is the only person that can add Trustees or staff to BV and assign them to the board(s) or committee(s) based on an authorization email, from the Executive Board Assistants with a copy to the CEO.

The Executive Board Assistants understood during the implementation of the BV application that the Systems BV Administrator did not have access to view restricted BOR documents. However, we learned and confirmed during the review, the Systems BV Administrator did have access to some restricted security level documents to which he was not authorized to have access.

Upon meeting together with the Executive Board Assistants, the Systems BV Administrator and the Nasdaq BV technical representative, we determined that the access was the result of a misunderstanding of how the application setup aligned with LACERA's control requirements in the initial application setup. While a thorough application control test may have identified the problem after the setup, any such testing did not reveal the error.

Also, BV audit trail access was not turned on during the application implementation phase and made available to the Executive Board Assistants. Had those trails been available and periodically reviewed by the Executive Board Assistants, they would have had the ability to identify any unauthorized access to secure documents.

The BV technical representative immediately corrected the setup that restricted the Systems BV Administrator from access to the secured documents and, also turned on the reporting function of the audit trails, which the Executive Board Assistants can now access, including retroactive logs. While the review was not an investigation, we did review a sample of audit logs and did not determine any unauthorized access. More importantly, we ensured that the controls are currently in place for the BV application for the short remainder of its use by LACERA, to ensure that access to documents is restricted to those authorized to see them.

## RISK

As evidenced by our review, the risk of not validating expected controls after new applications are implemented is that actual controls may not align with expectations and ultimately could result in control failures. The risk of not turning on and ensuring that available application audit logs are periodically reviewed is the loss of the ability to identify unauthorized transactions (access) and potentially identify flaws in the control setup of the application.

---

\*\* See Appendix 2 for Finding's Risk Rating

## RECOMMENDATION

1. LACERA's OneMeeting (PrimeGov) application owners/developers should ensure that during implementation, in the beta phase, when first placed into production, and periodically thereafter, they perform tests of access controls to ensure that the application is appropriately setup and aligned with planned and expected application controls for restricting access to documents to only those authorized and intended to have access.
2. LACERA's Information Security Office should require and ensure that appropriate and available audit trails are built in/turned on and periodically reviewed for all LACERA applications.

## MANAGEMENT'S RESPONSE

1. Management agrees with the findings and recommendations. Staff is currently in the implementation process for the OneMeeting application and user testing is currently underway. Application controls are being tested around security level access and document authorization. Application ownership has been clearly identified and content ownership limited to the Executive Office. Office manuals and desk procedures will be designed to clearly identify access controls and periodic audit testing.
2. The new OneMeeting application will have the audit trail functionality turned on. Furthermore, the Information Security organization is in process of developing and publishing for approval an **Audit and Accountability Policy**. This policy will require the activation of security and access logging and audit trails for all systems within the LACERA infrastructure. Additionally, the policy will specify that the respective application/system owners are responsible for the periodic review and affirmation of the systems and access audit logs. Note: this policy is in development for presentation to the LACERA Policy Committee and estimate approval before February 2023.

## TARGET COMPLETION DATE

Issue #1 - February 28, 2023  
Issue #2 - February 28, 2023

## FINDING # 2

Supporting application access was not appropriately restricted and audit trails were not fully functional and periodically reviewed.	<b>Risk Rating**</b>
	High

## OBSERVATION

Although not anticipated in our original scope of the review, we determined during our preliminary review that there are two additional applications associated with the Board Vantage application. These are:

- a. Board Packages – Board Packages (BP) is a LACERA in-house application. It is used by Executive Office staff to organize board documents into public and confidential agenda item packets for board and committee meetings. The staff then transfer these packets to the BV application and the Board Notes application.
- b. Board Notes - Board Notes (BN) is another LACERA developed application where all LACERA board and committee documents are retained.

Both applications have user access and password controls and document access security level restrictions in place.

Read and Write access to the BP application was intended to be limited to the two Executive Board Assistants and two Systems Division staff. During the review, we identified a third Systems Division staff person with access to the application.

We also determined that while audit trails of document activity are captured in BP, they are not in BN and audit trail logging of user access has not been activated in either application.

Common business security practices require logging of access events relevant to the privacy of individuals and the security of confidential documents. Audit logs of all users accessing confidential material should be readily available to enable audit or forensic reviews. Audit logging of access to confidential documents should be turned on for LACERA applications, whether the application is acquired or developed in-house.

## RISK

Unauthorized user access to confidential documents could go undetected for an extended period and could impact operations by exposing private personnel information or confidential board business matters.

## RECOMMENDATION

LACERA's OneMeeting (PrimeGov) application owners/developers should ensure the new PrimeGov cloud-based web application has audit logging functions in place when confidential documents are accessed. Audit trail reports should be automatically generated to notify the Executive staff of users accessing confidential documents.

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\*\* See Appendix 2 for Finding's Risk Rating

### **MANAGEMENT'S RESPONSE**

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Management agrees with this finding and recommendation. The OneMeeting (PrimeGov) application provides user and audit reporting accessible to application owners. All deficiencies in the BoardVantage system have been addressed including turning on the audit functions and blocking unauthorized users from gaining access to sensitive documents. Procedures will include quarterly reporting and auditing with any findings reported to Executive Management.

### **TARGET COMPLETION DATE**

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February 28, 2023

### FINDING # 3

The Policy documenting staff and trustee pre-authorized access to the seven levels of document security is not kept current.	<b>Risk Rating**</b>
	Low

### OBSERVATION

During interviews and discussion of user access to confidential board documents with the Executive Board Assistants, we found they had developed a good defined and documented process for access authorizations. However, in reviewing user lists in the Policy and application access lists with Executive staff we noted there were terminated staff users on both lists. They indicated they are not always made aware of staff terminations to update the lists in the Policy.

There are 100 users across the three repositories of board documents, BoardVantage (BV), Board Packages (BP) and BoardNotes (BN). Additionally, there are six privileged users with administrative access. Validation reviews of BV, BP, and BN user access lists and security assignments should be performed on scheduled basis to provide assurance that access to confidential documents is restricted to only those authorized in accordance with policies in effect.

### RISK

This finding risk is rated low since BP and BN applications accessed by LACERA staff reside on LACERA's internal network and the staff termination process, if completed timely, removes their network access credentials. Application access lists should still be updated to reflect the inactivation, as a matter of good housekeeping, and further reduce the risk of unauthorized user access to confidential documents.

### RECOMMENDATION

Executive Board Assistants should ensure the new OneMeeting (PrimeGov) cloud-based web application incorporates reports each month on user access changes, to confirm access controls for viewing confidential documents are in place and the application appropriately restricts access to only authorized individuals.

### MANAGEMENT'S RESPONSE

Management agrees with this finding and recommendation. Consolidating three applications into one application will provide better control of user access. Implementation of OneMeeting (PrimeGov) includes process changes that will mitigate this finding. This includes but is not limited to updating the Systems Employee Access Form (SEAF) to include access request for the OneMeeting application. This will ensure proper documentation is properly reviewed, approved, and process. Furthermore, requesting that the Board Offices are added to HR's notification of staff termination. This will ensure that immediate action to deactivate a user is completed timely. The deployment of OneMeeting will consolidate multiple applications and will include controls and safeguards identified in the Audit report. This new application will be fully implemented by February 28, 2023.

### TARGET COMPLETION DATE

February 28, 2023

\*\* See Appendix 2 for Finding's Risk Rating

## **APPENDIX 1 AUDIT RATING SCALE**

Internal Audit issues three standard audit report evaluations as defined below:

### **Satisfactory**

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

### **Opportunities for Improvement**

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

### **Unsatisfactory**

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

**APPENDIX 2  
 FINDING'S RISK RATING SCALE**

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

<b>Rating</b>	<b>Financial</b>	<b>Internal Controls</b>	<b>Compliance</b>	<b>Reputational</b>	<b>Executive Management</b>
<b>High</b>	<p>Large financial impact to LACERA or members</p> <p>Actions not aligned with fiduciary responsibilities</p>	<p>Missing or inadequate key internal controls</p> <p>Not adequate to identify fraud, noncompliance or misappropriation</p>	<p>Noncompliance with applicable Federal or state laws or LACERA's policies</p>	<p>High probability for external audit issues and/or negative public perception</p>	<p>Important critical business process identified by Exec Office</p> <p>Requires immediate attention</p>
<b>Medium</b>	<p>Moderate financial risk to LACERA or members</p> <p>Actions could be better aligned with fiduciary responsibilities</p>	<p>Partial key internal controls</p> <p>Not adequate to identify noncompliance or misappropriation in timely manner</p>	<p>Inconsistent compliance with applicable Federal or state laws or LACERA's policies</p>	<p>Potential for external audit issues and/or negative public perception</p>	<p>Relatively important</p> <p>May or may not require immediate attention</p>
<b>Low</b>	<p>Low financial impact to LACERA or members</p>	<p>Internal controls in place but not consistently efficient/effective</p> <p>Implementing / enhancing controls could prevent future problems</p>	<p>General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist</p>	<p>Low probability for external audit issues and/or negative public perception</p>	<p>Lower significance</p> <p>Does not require immediate attention</p>



# **BoardVantage Secure Document Access Review October 21, 2022**

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**George Lunde, Senior Internal Auditor**

# Summary of Engagement



Responsible Division:	Systems Division and Executive Office
Type of Engagement:	Assurance
Audit Rating:	Opportunities for Improvement
Prior Audit Rating:	None

## Type of Engagements

**Assurance:** 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.

**Consulting:** Collaborate with Management to provide a formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

**Advisory:** Provide Management with informal advice.

# Background, Objective, Scope



## Background

The Nasdaq BoardVantage (BV) application is a vendor cloud-based software application acquired by LACERA in 2011, to provide a secure means for Trustees and authorized staff to view board and committee documents. This review was included in our audit plan due to concern raised by the prior Audit Committee Chair. Upon returning as an elected retired member on the Board of Investments (BOI) he noted that he had access to restricted Board of Retirement (BOR) materials, not normally provided to BOI trustees.

## Objectives

We developed the following objectives for our review of BV:

1. Evaluate controls around the BV application, including controls around the process of adding, deleting, and assigning access
2. Obtain an understanding of the Board Packages (BP) and Board Notes (BN) applications relationship and function related to BV and specifically how documents are protected from unauthorized access on these applications



## Scope

The scope of this engagement covered the period from January 1, 2021 to the present.

# Summary of Findings



Finding #	Title of Finding	Rating
1	<p>Issue: Expected BV application access control restrictions were not validated, and audit trails were not turned on</p> <p>Management response: Agreed – OneMeeting is currently being implemented with comprehensive access controls and audit trails</p>	High
2	<p>Issue: Supporting application (BP and BN) access was not appropriately restricted and audit trails were not fully functional and periodically reviewed</p> <p>Management response: Agreed – OneMeeting is currently being implemented with comprehensive access controls and audit trail reports sent to Executive staff for review</p>	High
3	<p>Issue: The Policy documenting Trustee and staff pre-authorized access to the seven levels of document security is not kept current</p> <p>Management response: Agreed – With the implementation of OneMeeting new processes have been developed and documented to ensure access listings are kept current</p>	Low

# Thank You!



## Internal Audit

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Questions?

[glunde@lacera.com](mailto:glunde@lacera.com) | 626-524-3521

February 2, 2022

TO: Each Trustee  
Board of Retirement

FROM: Operations Oversight Committee  
Alan Bernstein, Chair  
Herman B. Santos, Vice Chair  
Keith Knox  
Antonio Sanchez  
JP Harris, Alternate

FOR: March 2, 2022 Board of Retirement Meeting

SUBJECT: **BOARD & COMMITTEE AGENDA MANAGEMENT, RECORDINGS, ONLINE ARCHIVES, AND PUBLIC INTERFACE**

## **RECOMMENDATION**

That the Board of Retirement (Board) approve to utilize and contract with Prime Government Solutions, Inc., ("[PrimeGov](#)") for the management of both Boards and all Committee meetings, including agenda management, livestreaming, recordings, online archives, and a public interface solution, with an indefinite retention period for archiving the audio and visual recordings.

## **BACKGROUND**

Currently, all facets of managing, conducting, and livestreaming Board and Committee meetings are accomplished using manual processes and meeting recordings are not available online. The main tasks of these manual processes are supported by the Executive Board Assistants and Systems staff. To enhance this process, LACERA is looking to implement a more effective meeting management tool to help streamline the planning and conducting of Board meetings while improving transparency and public access.

The following lists some of the manual processes used currently to conduct LACERA'S Board and Committee meetings:

- Meeting Materials: Agenda and item creation, review, and approval; and distribution of meeting materials to the Trustees, staff, and consultants.
- In-Meeting Management: Livestreaming, recording, roll call, motions, actions, votes, trustee queue, and public comments.
- Post Meeting Management: Preparation of minutes; and archiving recordings internally. Public records requests for recordings are handled manually via a link or DVD (which is the media currently available for pre-2020 meetings).

All the items above can be streamlined using a tool such as PrimeGov to manage meetings and improve transparency and public access. For additional background information, a memo from the February 24, 2021 JOGC meeting on this topic is attached (Attachment A). The JOGC memo for its meeting on April 22, 2021 (Attachment B) was placed on the agenda but pulled by staff for further development.

Staff completed its due diligence as described more fully below and presented a plan to the Operations Oversight Committee at its February 2, 2022 meeting for discussion and recommendation.

### **LEGAL AUTHORITY**

The management of board meetings, and the process related thereto, is within the plenary authority and exclusive fiduciary responsibility of the Board over administration of the system under Article XVI, Section 17 of the California Constitution.

In regard to posting and archiving of Board and Committee recordings, the Board has the legal authority, but not the obligation, to publicly broadcast or record their open meetings by audio or video. If recordings of an open meeting are made, they are considered public records under the Brown Act and the Public Records Act. Government Code Section 54953.5(b) in the Brown Act provides:

Any audio or video recording of an open and public meeting made for whatever purpose by or at the direction of the local agency shall be subject to inspection pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1), but, notwithstanding Section 34090, may be erased or destroyed 30 days after the recording. Any inspection of an audio or video recording shall be provided without charge on equipment made available by the local agency.

Closed session meetings are confidential, unless the Board grants specific authorization for public release, under Government Code Section 54963 of the Brown Act. Accordingly, closed session meetings will not be subject to public broadcasting or archiving if the Board determines to implement such a proposal.

### **DISCUSSION**

#### *Evaluation Process*

To find the best solution that would streamline the manual Board document process, improve boardroom technology, and enhance transparency for all stakeholders, LACERA issued a Request for Information (“RFI”) in April 2021 for an agenda management, recordings, online archives, and public interface solution.

The evaluation team was spearheaded by the Executive Board Assistants and included members from Executive, Communications, Legal, and Systems Divisions. The evaluation team received responses from Diligent iCompass, eSCRIBE, Granicus, Hyland, PrimeGov, and Provox and staff were provided a demonstration by each vendor.

The team then rated each vendor based on criteria which included but were not limited to product tools, features, capabilities, flexibility in customization, integration, ease of use, implementation process, and customer service support. Based on initial review of the RFI responses, price proposals were requested from Granicus, iCompass, and PrimeGov. The team then narrowed the original list to the top two providers, PrimeGov and Granicus, and proceeded with client references. In addition, staff also reviewed the current application, Nasdaq Boardvantage, currently used for distributing Board and Committee materials electronically. The evaluation team concluded that the current solution does not address all of LACERA's identified needs.

Therefore, after reviewing the references and further discussions with the evaluation team, the Committee recommends proceeding with PrimeGov due its focus on catering its services to government entities in a single platform solution, flexible configurability, and its ease of use.

*Prime Government Solutions, Inc., ([PrimeGov](#))*

PrimeGov offers a cloud-based solution and has been designed with mobile-first technology allowing users to access the system from any device that has a web browser. PrimeGov facilitates staff's processes from beginning to end utilizing one application and provides flexibility in process configurations. The PrimeGov solution also provides tools and resources for all stakeholders including Trustees, members, the public, and staff. It enhances public engagement by providing the members of the public with features such as subscribing for meeting notices and updates, livestreaming, facilitating public records requests, requests to speak during a meeting, and streamlining the meeting management processes such as roll call, motions, and voting. PrimeGov provides a solution that will allow for the management of LACERA's Board and Committee meetings to be completed more efficiently and assist in the accuracy of Board votes and actions, recording minutes, and improved public access, including posting of agendas, livestreaming of meetings, public comment, and archiving of recordings so they are available on lacera.com.

In March 2021, PrimeGov and Rock Solid Technology joined forces with the primary goal of enhancing the future of civic engagement and digital transformation of local government. This merger has provided an opportunity to provide new capabilities to facilitate the legislative management process including, agenda automation, committee management, and virtual meetings. Together, both companies support over 180 local government agencies. For more information on the merger, the press release is attached for reference (Attachment C). The references did not state that there was any change in quality of service after the merger.

PrimeGov's RFI response is attached (Attachment D). The RFI and the process mentioned above that led to the recommendation made in this memo took a conservative approach under LACERA's Policy for Purchasing Goods and Services ("Procurement Policy"). A full RFI procurement process, including cost proposals from the top three companies as noted above, was conducted under Section 13.2.1.C of the policy, which requires three proposals and due diligence. The total value of the contract (three-year term, with a first-year cost of \$37,045 with a 5% increase in years 2 (or \$38,897.25) and

3, plus \$8,190.20 in one-time costs) is less than \$150,000, and therefore it is within the CEO's authority. However, the contract is brought to the Board for recommendation and approval because of its organizational significance, including Board impact.

PrimeGov offers the following features and meeting tools:

- Secure Annotation Features: Highlighting, drawing, text/comment box, post it capability that can only be viewed by the user.
- Document Library Capability for Policies.
- Virtual meeting support via Zoom integrations.
- Allow constituents to sign up to speak on meeting items during Public Comment.
- Capture roll call, minutes, votes, and actions quickly and easily.
- Manage speaker lists, facilitate public comments, and automatically time speakers.
- Live video streaming with timestamps to produce an indexed video recording.
- Public meeting display to share active item, motion, vote, and speaker information.
- Advanced search parameters of meeting materials for the public and Trustees.

The following provides additional product details that are included in the PrimeGov solution being recommended:

- Agenda Automation
  - Ability to create agendas, packets, and summaries; design workflow steps for agenda/item collaboration; track agenda items throughout the review process; and search tools for archived meeting materials. This automation will streamline the agenda creation process, saving valuable time during the creation and approval of agenda process.
- Committee Manager
  - Track trustee appointments, recordkeeping, terms, bios and misc. information.
- Community Engagement
  - Ability to allow the public to subscribe to meeting updates, livestreaming of meetings, and access meeting recordings and other public records. In addition, the ability for the public to provide oral and/or written public comments is made available.
- Meeting Management
  - Ability to distribute meeting material and capture timestamps, roll call, minutes, motions, votes, and actions during the meeting for meeting participants to see. Board material distribution to trustees will include full secured annotation features for the user, such as highlighting, drawing, sticky notes, and text box options for typed comments. This
  - The PrimeGov portal for Board materials is web-based and can be accessed through a desktop, laptop, and/or tablet.

- Livestreaming and Archiving
  - Ability to provide livestream, recordings, and archive of historical recordings on lacera.com, agendas, and meeting materials. Recordings include high-definition and Americans with Disabilities Act (“ADA”) compliant videos for the public. Features include closed captioning and language preferences.

In a recent Board survey, Trustees expressed tools and features they would like in reviewing agenda material, which included annotation features, item navigation, policy library, archiving of meeting materials, Zoom integration and search options. These features are provided within the PrimeGov application.

### Security

Prime Government Solutions (“PrimeGov”) is a reputable technology company that provides public meeting recording and archiving services. Their solutions utilize the security settings and controls of the Office365 and Zoom platforms and will facilitate monitoring and security standards currently deployed at LACERA. In addition, PrimeGov service operations infrastructure and applications run in Microsoft Azure. The Azure services consumed are certified to SOC2, FedRamp High, ISO 27001, and many other relevant standards. More broadly, PrimeGov’s security policy is based on NIST Cyber Security Framework.

The Information Security Division is comfortable in moving forward with PrimeGov and have provided their Vendor Risk Opinion Memo (Attachment E).

### References

References obtained were from LA City, City of Lancaster, and Ventura County. References including individuals involved in the agenda meeting management and IT support. Each reference recommended the use of PrimeGov services and shared positive feedback in terms of their customer service during the implementation process and in meeting support, flexibility of application templates and workflow, and overall experience in using PrimeGov, including time periods after the Rock Solid merger.

### Proposed Action Plan

LACERA is currently under contract with Nasdaq BoardVantage until the end of 2022, and the plan is to use BoardVantage until we fully transition to PrimeGov. Therefore, staff proposes the following action plan should this recommendation be approved by the Board.

March 2022: Board approves OOC recommendation/s, and LACERA executes the contract with PrimeGov.

#### April – August 2022:

- Begin implementation process with the new vendor, which includes, but is not limited to, transitioning manual processes, creating internal procedures and workflows, the configuration of vendor application templates, staff training, and conducting mock meetings.

- The implementation process will include trustee involvement for input in viewing Board/Committee materials and in meeting features.
- Provide OOC presentation/s showing the public interface features (i.e., livestreaming, recordings, archived materials, timestamping, ADA features, closed captioning/different languages, etc.) that will be made available on lacera.com.

July - September 2022:

- Provide training to Trustees in utilizing the application.
- Archive any notes/annotations saved by Trustees in the current application.

October 2022: Complete transition to the new vendor.

Archiving/Recording

Board and Committee open session meetings are currently being livestreamed and recorded. The meetings can be viewed by members of the public via the livestream on lacera.com when the meeting is occurring but cannot be viewed once the meeting has ended. In addition, recordings are internally saved for staff reference, but not made available to the public on lacera.com. To obtain a recording, a member of the public must submit a Public Records Act request.

In considering whether LACERA should provide public online access to meetings, through an online archive, the Board may consider that such access will:

- Increase transparency;
- Reduce public requests for recordings; and
- Provide another form of communication with members and other stakeholders and insight into the Boards' decision-making.

The Committee recommends that audio/visual recordings be retained indefinitely and be provided on lacera.com. Through PrimeGov, recording migration of up to two years is included at no cost. The Committee recommends archiving recordings on lacera.com from calendar year 2021 and continued indefinitely.

Should the Board approve to retain audio/visual recordings indefinitely, staff will revise the Records & Information Management (RIM) Policy and present for approval. The retention schedule is maintained by the Administrative Services Division. Unlike the RIM Policy, it has not in the past been presented for Board approval. Staff proposes to change the current 30-day retention period in the schedule for any video or audio Board recordings to indefinite as noted above.

As mentioned in the Proposed Action Plan, staff plans on presenting the public interface features (i.e., livestreaming, recordings, archived materials, timestamping, ADA features, closed captioning/different languages, etc.) that will be made available on lacera.com. Furthermore, information on how staff plans to maintain control of the video content from

being altered will also be addressed at future Operations Oversight Committee (OOC) meetings.

**Budget**

The first-year cost for the PrimeGov solution will be \$45,235.20, including the first-year fee of \$37,045, plus one-time start-up charges of \$8,190.20 for hardware and professional services and \$38,897.25 (or a 5% increase over the first-year annual fee) for second- and third-year annual fees. These costs assume the use of YouTube as the video hosting platform. Should LACERA determine that a different web hosting platform is required, additional fees of up to \$30,000 per year should be anticipated, which would bring the contract cost over \$150,000 and therefore require Board approval. Sufficient funds exist in the FY 2021-22 Budget for first-year costs. If approved, future year costs will be included in the proposed budgets for the Board's approval. Of note, use of the PrimeGov solution, which would replace BoardVantage, without the use of a supplemental web hosting platform, would result in annual savings of approximately \$23,000 over the current \$68,600 annual cost of BoardVantage.

**CONCLUSION**

The Committee recommends PrimeGov as the solution to streamline internal processes, agenda packet distribution, in meeting features, and the option to enhance public transparency of archived recordings and materials. This solution will provide a streamlined, modern, and sustainable system to support meeting operations and accommodate in-person, remote, or hybrid meetings in the future.

**IT IS THEREFORE RECOMMENDED THAT THE BOARD:**

- 1) Approve Prime Government Solutions, Inc., for agenda management, recordings, online archives, and public interface for both Boards and all Committees; and
- 2) Recommend archiving the recordings indefinitely and return for approval the revised Records & Information Management (RIM) Policy and retention schedule.

SK:bn

**Attachments**

- A- JOGC February 24, 2021 Memo
- B- JOGC April 22, 2021 Memo (Excluding Attachments)
- C- PrimeGov & Rock Solid Technology Merger Press Release
- D- RFI PrimeGov Proposal
- E- Vendor Risk Opinion Memo

cc:

Board of Investments  
Steve P. Rice

Luis A. Lugo  
Kathy Delino

JJ Popowich  
Bob Schlotfeld

Laura Guglielmo  
Cynthia Martinez

Attachment A  
February 24, 2021 JOGC Memo

February 17, 2021

TO: Each Trustee,  
Joint Organizational Governance Committee

FROM: Kathy Delino <sup>KD</sup>  
Interim Systems Division Manager

FOR: February 24, 2021 Joint Organizational Governance Committee Meeting

SUBJECT: Board & Committee Meeting Recordings & Online Archives

## **RECOMMENDATION**

That the Joint Organizational Governance Committee (JOGC) discuss and provide input on Board and Committee recordings and online archives.

## **BACKGROUND**

Prior to Covid-19, Board and Committee meetings were held onsite in the LACERA Boardroom for Trustees, staff, members, and the public. The meeting recordings were recorded on DVDs and were available to the public through a PRA (Public Request Act) request.

In March 2020, due to the Covid-19 pandemic and in adherence to [Executive Order N-29-20](#), Board and Committee meetings were held virtually in order to adhere to the social distancing guidelines set forth by local, state, and federal agencies. This allowed the Boards and staff to allow the public, staff, members, and consultants to participate safely. With meetings being held virtually, meeting recordings are now being saved electronically.

## **DISCUSSION**

Staff would like the Committee's input and direction on a solution/s for meeting recordings and online archives. Staff is prepared to provide the Boards and PRA requests with immediate access, via SharePoint, to the open session recordings of the Board & Committees in the interim. A copy of a screenshot showing the SharePoint portal is attached. Staff can prepare a permanent solution, which would provide recording archives on lacera.com to be available to the public when the new site is launched later this year.

Staff looks forward to the Committee's comments and input at the JOGC meeting on February 24, 2021.

SharePoint

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**Board & Committee Recordings**

 Nick Abouchian January 25

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**Audit Committee**

Name	Modified	Modified By	+ Add column
2020 - 10 October 21 AUD.mp4	February 9	Bonnie Nolley	
2020- 08 August 19 AUD.mp4	February 4	Bonnie Nolley	
2020-12 December 11 AUD.mp4	February 4	Bonnie Nolley	

**Attachment B**  
**April 22, 2021 JOGC Memo**  
**(Excluding Attachments)**

April 13, 2021

TO: Each Trustee,  
Joint Organizational Governance Committee

FROM: Kathy Delino   
Interim Systems Division Manager

Bob Schlotfelt   
Interim Chief Information Security Officer

FOR: April 22, 2021 Joint Organizational Governance Committee Meeting

SUBJECT: Policy and Action Plan - Board & Committee Recordings, Online Archives,  
and Public Interface

## **RECOMMENDATION**

That the Joint Organizational Governance Committee (JOGC) discuss and provide input regarding the policy and action plan for Board/Committee recordings, online archives, and the public interface.

## **DISCUSSION**

At the February 24, 2021 JOGC, the Committee voted to have staff return with a policy and action plan for Board/Committee recordings, online archives, and the public interface. The Management of Audio and Visual Recordings Policy (the "Policy") (Attachment A) and the Board/Committee Meeting Recording Archival and Publication Action Plan ("Action Plan") (Attachment B) are attached for your review. Staff looks forward to the Committee's feedback on both attachments.

At the February meeting, the JOGC provided comments regarding preferences for meeting recordings, recording archives, and the public interface to access both. The suggestions included but were not limited to the impact of [Assembly Bill 339](#), recording/archival of audio and video content, and agenda item timestamping for recordings. These comments are incorporated into both the draft Policy and draft Action Plan.

The Action Plan includes tasks to be completed as well as a timeline for completion. The important milestones in the plan include providing access to Board and Committee meeting recordings on lacera.com, as well as implementing a modern, sustainable system to record, stream, and archive meetings. To that end, staff has issued a Request for Information (RFI) to gather information on possible solutions for a modern, sustainable

Re: Policy and Action Plan - Board & Committee Recordings, Online Archives, and  
Public Interface  
April 13, 2021  
Page 2 of 2

system to support meeting operations. RFI responses will be received mid-May and staff will come back to the JOGC in July to provide a demonstration of the recording, streaming, archival, and agenda timestamping features suggested by the Committee.

### **CONCLUSION**

Staff recommends that the JOGC approve the attached Action Plan and recommend the Management of Audio and Visual Recordings Policy for approval by the Board of Retirement and Board of Investments.

### Attachments

c: Santos H. Kreimann  
Johanna Fontenot

[Request a Demo](#)

# ROCK SOLID TECHNOLOGY ACQUIRES PRIMEGOV

Tom Spengler Named CEO

San Juan, Puerto Rico and Scottsdale, AZ – March 25, 2021 – [Rock Solid Technology](#), a leading SaaS software company providing citizen engagement solutions that help local government and their communities work as one, today announced the acquisition of PrimeGov, a leading provider of virtual public meeting participation and agenda management solutions for local government. The combined company delivers solutions to over 180 local government agencies including Los Angeles, Fremont, Las Vegas, San Antonio, Columbus, and Baltimore County. Tom Spengler, PrimeGov's Executive Chairman will become the CEO of the combined organization.

PrimeGov delivers a powerful suite of legislative management solutions designed to unlock the potential of municipal governments and deliver both operational efficiency and transparency while fostering civic engagement. The acquisition brings together two companies with decades of dedicated local government experience, and provides exciting new capabilities designed to facilitate every step of the legislative management process including agenda management, committee management, and virtual council meetings through video streaming. These capabilities will allow customers to leverage a purpose-built citizen engagement platform that integrates seamlessly into agency operations to engage with their constituents.

"PrimeGov has played an important role in helping local governments with their public decision-making processes," said Rick Brown, Chairman of Rock Solid. "The natural combination of our two companies creates a solution the market is demanding – a deeply integrated citizen engagement platform that unifies the power of public meeting participation and agenda management with transparent, and actionable data from cross city departments."

Tom Spengler brings over 20 years of dedicated local government technology experience to Rock Solid. As the former CEO and co-founder of Granicus, Tom helped create the market leading legislative management solution used by more than 4,500 government agencies and 250 million citizens. Tom is passionate about improving government and their communities through technology and sits on the board of several technology companies including Propylon and Ascendify.

"We're excited to be joining together with Rock Solid today. We believe public meetings are core to a functioning democracy, and local staff and elected officials need better tools to maximize outcomes for the communities they serve," said Tom Spengler, Executive Chairman of PrimeGov. "The combination of Rock Solid and PrimeGov will be uniquely positioned to integrate resident sentiment and real operational data into the public meeting decision-making process."

## About Rock Solid Technologies, Inc.

Founded in 1994, with offices in San Juan, Puerto Rico and Austin, TX, Rock Solid is a SaaS service provider that helps local governments and their citizens work as one. As a trusted government partner for 25+ years, Rock Solid uses technology to create products that streamline workflows and resource allocation for diverse civic and municipal entities worldwide. From all-in-one platforms to custom software solutions, Rock Solid's tools help local governments operate more efficiently and improve civic engagement.

Rock Solid's OneView CRM was recently selected as the civic engagement platform of choice in Columbus, OH, San Antonio, TX, Knoxville, TN, and Gainesville, FL. Additionally, the municipalities of Ciales, Santa Isabel and Adjuntas join the list of more than forty cities in Puerto Rico that use Rock Solid's OneView as their principal platform to engage residents and unify their systems.

To learn more, visit [www.rocksolid.com](http://www.rocksolid.com).

### About PrimeGov

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single, end-to-end, cloud-based solution. With PrimeGov, local governments can seamlessly host hybrid meetings with remote voting capabilities—saving time, increasing efficiency, and promoting transparency to their constituents.

PrimeGov was recently recognized in GovTech 100 annual list for 2021 by Government Technology as a company making a difference for local governments. PrimeGov is proud to partner with top cities and counties such as Los Angeles, Las Vegas, LADWP, San Antonio, and Oklahoma City on their agenda, meeting, and committee management processes.

To learn more, visit [www.primegov.com](http://www.primegov.com).

### PRESS CONTACT

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#### About PrimeGov

PrimeGov empowers local governments to optimize and digitize their agenda and meeting management processes with a single end-to-end cloud-based solution.

+1-833-634-6349

[sales@primegov.com](mailto:sales@primegov.com)

[in](#) [f](#) [t](#)

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Agenda Automation

Meeting Management

Committee Manager

Community Engagement

Video Streaming

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**Los Angeles County Employees Retirement Association  
(LACERA)**

**RFI: Agenda Management, Livestream, Recording, and  
Archiving**

**May 15, 2021**

LACERA  
PO Box 7060  
Pasadena, CA 91109-7060

Josh Hurni, Director of Sales  
PrimeGov  
4250 Drinkwater Blvd, Ste. 300  
Scottsdale, AZ 85251



Prime Government Solutions | 4250 Drinkwater Blvd. Suite 300 | Scottsdale AZ 85251 | 1-833-634-6349

May 14, 2021

## Letter of Introduction

Dear LACERA,

Thank you for the opportunity to help you upgrade to a cohesive board management system that manages your public meeting processes with the latest, easy-to-use technology. Prime Government Solutions, Inc. ("PrimeGov") is familiar with LACERA's needs in part because we have selectively recruited the most experienced team members in the industry. In fact, we started PrimeGov because we had developed strong relationships with government staff over the years and we were disheartened by the steady decline in the quality of service and the lack of technical innovation by the big software providers in this space.

PrimeGov is different because our only focus is managing the public meeting process. We do not build websites or other non-legislative products. We live to make clerks' lives easier. It's just what we do. Having that focus means that every day our team is in the field with our clients to see and hear for ourselves exactly where the legislative process needs automation. Then, because our development team is not distracted by other products, we quickly build solutions to meet those challenges. A recent example is the ability to send property notices via postcard without ever leaving our system.

Here are some of the many ways we stand above the rest:

- Every member of our executive team and board has **years of experience** working with clerks. Unlike document management companies or private equity firms, we understand the pressure staff is under during a meeting and the need for us to respond quickly, especially when the council and the public are waiting.
- We build our solution on **widely used and supported web applications**. Technology, particularly video, has improved dramatically over the last five years; it no longer makes sense to recreate a video player or storage when Google and Microsoft have spent billions developing and maintaining their products. Our role as a company isn't to recreate the wheel but to adapt software to meet the specific needs of clerks. We offer seamless, superior integrations with popular, easy-to-use products such as Laserfiche, YouTube, Word, Zoom, Chrome, and more.
- Our dedication to delivering the **best solutions specific to local government** frees up our team to develop software relevant to clerks and members of the public looking for



information. This feature, along with our new Quick Voting solution, is why the City of Los Angeles contracted with us to replace four of their existing systems with our one.

- PrimeGov's software is **100% cloud-based** and can be used from any location without a VPN (Virtual Private Network) setup. There are no client-side installations, stream-lining deployment and implementation. PrimeGov's completely virtual environment ensures business continuity even when faced with the toughest externalities, such as a natural disaster or a public health crisis.
- PrimeGov's agenda management system allows for the **instant generation of agenda packets**. Compiling and converting staff reports and attachments into a complete agenda packet can take hours, but with PrimeGov, this important function happens immediately.
- The system does an **automatic check** to ensure that the files of supporting documents function prior to compiling, and if they are corrupt, it identifies the broken file for easy replacement, saving you hours of time otherwise spent searching for the specific file.
- PrimeGov provides **powerful and flexible workflows** that can be set up to automate a number of tasks such as appointing citizens to boards or sending emails to appointees. Furthermore, staff can create a peer review group as part of a workflow that allows reviewing or editing permissions for staff members without disrupting the standard approval process.
- PrimeGov's **agenda solution is directly tied to our committee management tool** and allows for direct item approval through the entire agenda process. This means your workflow and forms controls can be based on specific committee processes. In addition, items can be pushed through the approval process by automation-based approval actions.

We are professionally and personally committed to making LACERA's deployment a success. Our implementation plan, flexible training options, and understanding of your requirements ensure that your system is widely adopted. Once deployment is complete, we'll be there for you with our experienced support staff and stable, modern technology.

We look forward to providing an in-depth demonstration so you can see for yourself how easy PrimeGov is to use and why our experience, technology, and focus on the legislative process make us uniquely capable of meeting LACERA's requirements.

Sincerely,



Tom Spengler, CEO



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## Section 1: Administrative Information

PrimeGov works solely with local governments clients, bringing our expertise, understanding, and consultative approach to our vendor/client partnerships. Launched in 2015, PrimeGov has partnered with nearly fifty California customers, including the City of Los Angeles, and several counties in southern California, including Orange and Ventura Counties.

- 1. Name, mailing address, overnight delivery address (if different from mailing address), phone number, fax number, and e-mail of designated point of contact.**

PrimeGov is based at 4250 Drinkwater Blvd., Suite 300, Scottsdale, AZ 85251. Our website is [www.primegov.com](http://www.primegov.com) and our phone number is 1-833-634-6349. We do not have a fax number at this time.

LACERA's point of contact is Joshua Hurni, who can be reached at [joshua.hurni@primegov.com](mailto:joshua.hurni@primegov.com) and (510) 519-9000.

- 2. Business type (large business, small business, small disadvantaged business, woman-owned small business, very small business, veteran-owned small business, service-disabled veteran-owned small business), and commitment to diversity.**

PrimeGov is a small business comprised of 40 employees. We are a corporation that is committed to diversity in our hiring, employee retention, and promotion practices. PrimeGov is committed to the philosophy of equal opportunity employment and does not discriminate against any employee or applicant on the basis of race, color, ancestry, age, religion, sex, sexual orientation, gender identity or expression, national origin, disability, medical condition, marital status, veteran status, or other non-job-related criteria.

PrimeGov is working to build a company that future generations can be proud of. A company where everyone is welcome. A company where everyone can be themselves and where we are committed to diversity, equity, inclusion, and action.



## Section 2: Requested Information

### 1. Agenda Management: Development/Compilation/Workflow/Amendment

Please see response to #2 below for a full description of our Agenda Automation solution.

### 2. Paperless Agenda Software

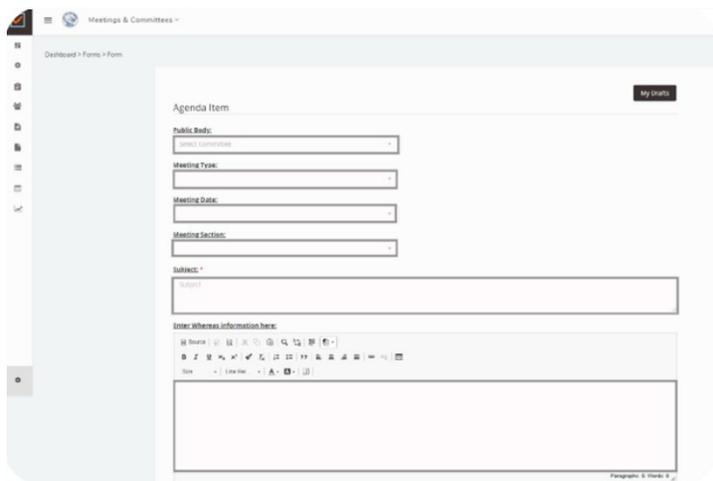
#### 2.1. Annotation/Notes features

We provide full annotation functionality such as highlighting, drawing and sticky note functionality both in our pre meeting process and for board members and staff on the published agenda. We also provide a separate note feature should people decide to take notes in a text box rather than on the agenda item itself.

#### 2.2. IOS Applications

With PrimeGov, you can manage the entire agenda process--from submitting an agenda item for a meeting to ensuring that the item has all the necessary supporting materials to be heard. Agenda items can have pertinent item information tracked, such as: sponsor, background, speaker, and recommendations. All custom fields can be tracked for reporting purposes. Agenda items can be moved or copied to another

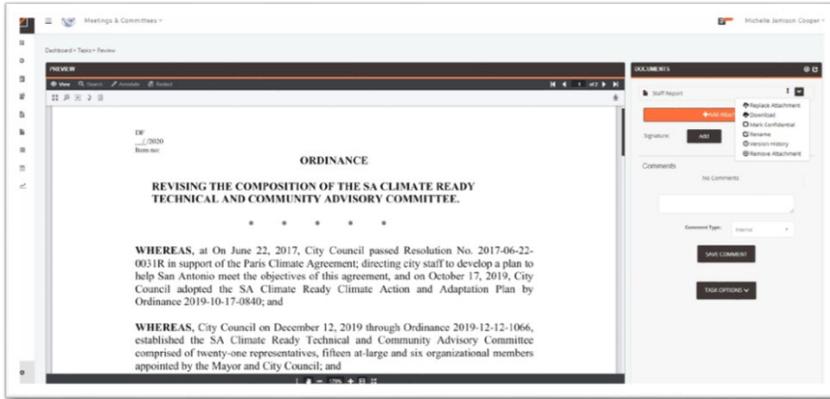
meeting with a full legislative history available. As items are moved, copied or arranged within the meetings, the numbering and formatting of the item is automatically adjusted. This makes last-minute changes simple to handle.



As part of Agenda Automation, PrimeGov

includes electronic forms and our Workflow module. Using this automation, the Client

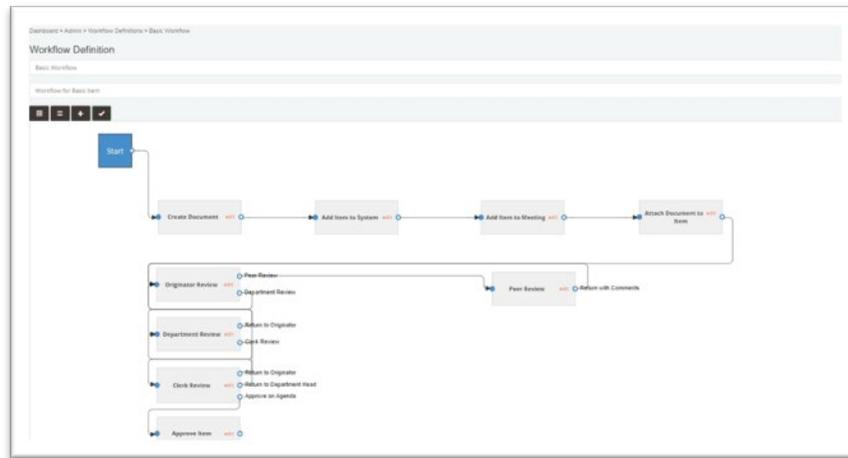
can add an agenda item and send it through an approval process. This automation provides an efficient and trackable way of making sure that an item is properly reviewed and ready to be presented at a meeting.



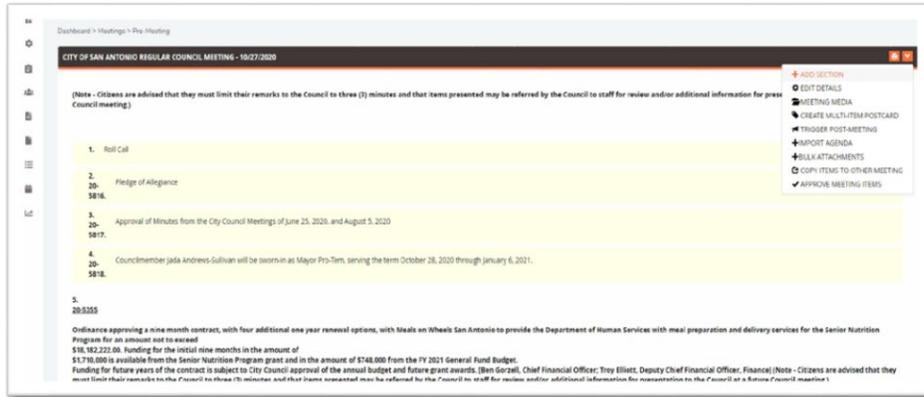
There is no limit to the number of agenda templates that can be created in the solution. Multiple templates can even be created for individual meeting types. For example, there could be a regular meeting and a

closed session meeting for the same body. The Client has complete control of the templates, and how they are formatted.

Documents that are added to an item either directly or through workflow can be in any format and will have OCR performed on them so they can be searched easily. They will also be converted to PDF. There are no proprietary file formats used in the solution.



Once an agenda and all its supporting materials have been added to the system the Client can compile them into a packet with the click of a button. That packet as well as the agenda can be published to the Client website with another click of a button.

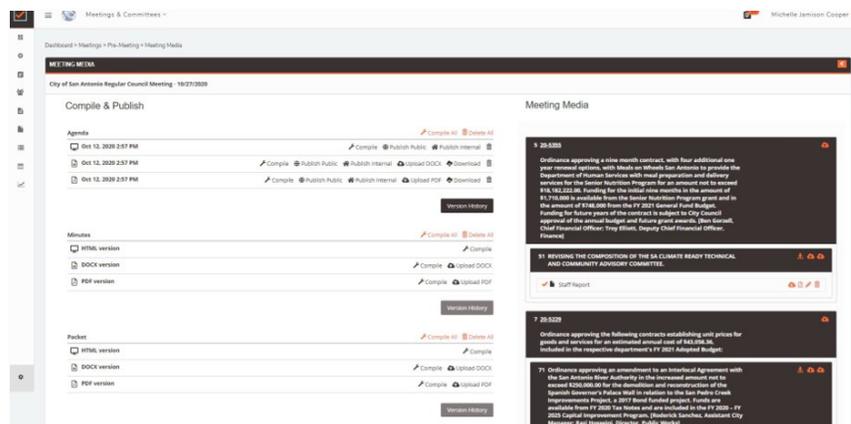


## Key Module: Workflow

The PrimeGov Workflow module allows for the automation of virtually any business process. This means that not only can it be used to track and manage the submission of agenda items, but it can also be configured to automate the processes surrounding meeting such as: scheduling, notifications, agenda review, agenda distribution, citizen input, meeting actions, and staff follow up after the meeting.

### Features include:

- Automatic initiation of workflow when an action request is submitted electronically
- Easy document routing for review and approval
- Automatic notification via email or workflow queue
- Parallel work process
- User friendly administration
- Unlimited workflows can be created
- Reporting
- Real-time monitoring of flows to show where action requests are in the process



- Deadlines can be set for tasks to be completed

### **Key Module: Meeting Viewer and Annotations**

The PrimeGov Meeting Viewer is provided with the solution. Meeting Viewer allows users to view different document types without having to have the native application on their device. It also allows users to annotate their copy of the agenda and supporting materials. Some of the annotations included are notes, highlighting, redaction, signatures, and more. When a user annotates their copy of the agenda, they will have their annotations on the agenda when they log in for the meeting. Because the PrimeGov solution is 100% web-based and has been designed with mobile-first technology, users can access the system from any device that has a web browser.

### **3. Posting of Meeting Materials**

Our single legislative management solution makes it easy to post meeting materials in both an HTML and PDF format. The system automatically checks supporting documents to make sure the files function and provides clear message if they are corrupt. This makes it easy to replace the bad files directly from the pre posting page rather than having to go back to the item submitter and have them update the file.

Once the agenda is posted, we provide advanced search functionality to make it easy for members of the public to find their information, including full text search and search parameters such as meeting date, body, etc.

### **4. Electronic/Live Voting**

The Meeting Management interface called Meeting Viewer also provides a means for the members to record their vote during a meeting and offers the ability to communicate the voting process of agenda items to the public. This solution allows voting members and support personnel the opportunity to electronically view items and supporting documentation on the agenda and to electronically cast votes on motions. The Voting solution provides an automated and effective approach to recording the events of the meeting to make it easy for the supporting personnel to follow along and manage the meeting as it is in session.

## 5. Public Comment Features (call-in, written comments)

Improving community engagement options is core to the PrimeGov mission. We believe technology can improve communications between elected officials and their local community. The Community Engagement module includes the following:

### **Key Feature: Community Comment**

This software creates a public portal for citizens to comment on individual agenda items. The comments are text-based and a character limit can be established to replicate the time limit used for public speakers when meetings are in person. All comments will be aggregated into a simple report and provided to elected officials. Comments are not publicly viable until they are published by the agency during or after the meeting.

### **Key Feature: Community Request-to-Speak**

The Request to Speak functionality allows community members to sign up to request to speak for any agenda item. The software will manage the sign-up and provide an ordered list of public speakers that can be called on during the meeting.

## 6. Livestream (with agenda timestamp) for Audio and Video

The Video/Audio recording is integrated into the live meeting module and allows the video to be easily started, items to be timestamped, and video to be embedded into the public portal and legislative history. All of this is from within the same interface used for running the meeting. The live stream and on-demand recordings are managed through YouTube's powerful distribution platform. One of the advantages to using YouTube is that they provide a free audio-translation component that can be used for closed captions. The Client will need an encoder to stream, but all existing cameras, microphones, etc. will work.

## 7. Recording/Archive for Audio and Video

### 7.1. Quality (i.e., HD, others)

We provide full 1080 multi-bite rate HD

## **7.2. Timestamp**

With a simple double click, you can timestamp the video. Our data migration from your current provider will include timestamps.

## **7.3. Translation Services**

We have a number of clients who use our product in conjunction with a translation service. We do not provide translation services ourselves.

## **7.4. Duration of Archive**

Data is hosted until you delete it. We do not delete data.

# **8. Closed Captioning Features**

Clients may choose to take advantage of PrimeGov's cloud-based Live Closed Captioning offering to enhance their meeting videos. Automated closed captioning is available without the purchase of any additional equipment and increases accessibility and transparency for constituents.

The live stream and on-demand recordings are managed through YouTube's powerful distribution platform. One of the advantages to using YouTube is that they provide a free audio-translation component that can be used for closed captions.

# **9. Management of Closed Session**

## **9.1. Entering and leaving closed session**

Typically, people would turn off the cameras and then start a separate closed session meeting. Our granular permissions would allow board members to see confidential information during the closed session meeting. When closed session is over the closed session meeting would be ended in the system and then people would reenter the regular meeting.

## **9.2. Separate recording of closed sessions when required**

In general, closes session meetings are not recorded however we could set it up so that the closed session meeting is recorded locally on the encoder and not live streamed to the public.

## 10. Company Profile

### 10.1. Business & Ownership Structure (Public, Private, LLC etc.)

PrimeGov is a small, privately owned corporation that is a subsidiary of Rock Solid Technologies.

### 10.2. Total Annual Revenue

As a small business, PrimeGov does not publicly disclose this information as it would put us at undue risk and exposure to competitors. We can share this information upon contract award.

### 10.3. HQ and office locations

PrimeGov is located at 4250 Drinkwater Blvd., Suite 300, Scottsdale, AZ 85251.

### 10.4. Cloud Infrastructure Partner

All of our data is hosted on Microsoft Azure, which is a Tier 4 data center.

### 10.5. SoCal presence

We have roughly 25 clients in Southern California, including: the City of Los Angeles, LA Department of Water and Power, the Clean Power Alliance, Orange County, Ventura County, and many other cities.

### 10.6. Competitive distinction and value proposition versus competitors

Prime Government Solutions (“PrimeGov”) was founded in 2014 when several jurisdictions—dissatisfied with their current agenda management software options—began looking for a company committed to the legislative process. The PrimeGov team came together to solve this problem. We are a group of leaders that have been serving municipal clerks for more than 20 years. We are passionate about providing quality products, world-class customer service, and close collaboration with our clients. We are dedicated to unlocking the potential of municipal governments through technology, to promoting transparency to empower communities, and to fostering civic engagement.

Prior to 2014, our team designed and implemented hundreds of legislative management solutions as founders of Granicus, Inc. Over the years, we have worked hard to develop strong relationships with government staff throughout the US and Canada and we were disheartened to see the steady decline in service quality and the lack of legislative focus by the leading software providers. It's because of this decline that our founder started developing the PrimeGov Legislative Management Suite in February 2015. The goal was to utilize the latest technology, strategic partners, and our decades of experience to bring the best possible legislative management product to market. By building our solution on widely used and supported "commercial" web applications and social media, we have been able to rapidly build a single product that can handle the entire legislative process.

Cities and counties all over the country soon took notice and entered into agreements with us. In the last six years, we have gone from one client to more than sixty of all sizes: from the City of Los Angeles to Oklahoma City to Oviedo, Florida. Some have wondered how we are able to handle such high growth and the answer is our experience, our use of non-proprietary technology, and our total focus on the public meeting process. To illustrate our experience, our Head of Engineering is Javier Muniz, co-founder and CTO of Granicus prior to its acquisition by private equity. Our President, Sherif Agib, started in Granicus customer service nearly 20 years ago and worked his way up to VP of Operations before its sales. The point is simple: we understand the legislative process, we understand the technology, and, most importantly, we understand our clients.

## **11. Technology and Security**

### **11.1.1. Is your solution a private/dedicated or shared/multi-tenant service?**

PrimeGov is a multi-tenant service.

### **11.1.2. Provider and location of Primary server?**

The primary server is located in the Western United States.

### **11.1.3. Provider and location of Secondary server?**

The secondary server is located in the Midwest United States.

### **11.1.4. Do you offer geographic redundancy?**

Yes, this is standard functionality.

**11.1.5. Does your solution utilize AI for closed captioning and transcriptions?**

Yes, our closed captioning is AI-generated. The City of Los Angeles is an example of client using this service.

**11.1.6. Does your live stream player have any dependencies?**

The only dependency is a camera, internet connection and the use of the AJA HELO encoder.

**11.1.7. Does your video player have any dependencies?**

We use an unbranded version of YouTube as our video player.

**11.1.8. Does your solution provide an API?**

The PrimeGov Legislative Management Suite is driven by Restful Web Services. This allows virtually anyone (other software vendors, open data developers) the Client allows to consume the data available in the system. Access is controlled by the Client and the available “datasets” are published by the Client, just like publishing an agenda.

**11.1.9. Do you integrate with Active Directory for user management?**

We currently support AD via Office 365 SSO

**11.1.10. Do you support MFA?**

PrimeGov has application-managed authentication and can use SAML 2.0.

**11.1.11. Speak of data archiving and how data destruction is assured?**

PrimeGov hosts all data in Azure and all connectivity is managed by the Azure infrastructure automatically. Azure guarantees a permanent data failover PrimeGov follows the standard protocols for recovery stated by Azure.

We do not delete your data. Users with the right permissions within your organization could delete data but we do not delete data. Clients can export data for additional storage. PrimeGov offers configurations for encoder local backup for video content as well as a Laserfiche integration for additional data backup. PrimeGov does not regularly provide clients with local stored copies of data. However, this data can be

made available upon request. Downloads of videos can be attained from YouTube using off the shelf tools.

**11.1.12. Describe your disaster recovery and business continuity support. SLA guarantees?**

PrimeGov hosts all data in Azure and all connectivity is managed by the Azure infrastructure automatically. Azure guarantees a permanent data failover PrimeGov follows the standard protocols for recovery stated by Azure. PrimeGov uses HTTP2 protocol, so all communication between the client and server is secure and encrypted. For our database, backups and other data at rest, everything is on Azure resources that have automatic encryption on all the elements.

**11.1.13. Does your company maintain SSAE18 SOC 1 Type 2 and SOC2 certification? Which audit company is used?**

These audits occur regularly on Microsoft Azure. More information can be found here: <https://servicetrust.microsoft.com/ViewPage/MSCComplianceGuideV3>.

**11.1.14. Are you FEDRAMP & SOCS 2 Certified?**

We do not currently hold these certifications.

**11.1.15. Do you have Government Licensing available?**

PrimeGov works solely with government and so we do not have separate government licensing available.

**12. Implementation and Support**

**12.1.1. Describe your implementation approach and methodology. For an implementation, detail the profile of staff roles/resources needed from us to support the project.**

At PrimeGov, we take pride in fully understanding your project before it begins. Before project initiation, we will provide the Client with a project plan and, if requested, a Scope of Work (“SOW”) document to support a clear understanding of the project. Although PrimeGov makes every attempt to provide accurate estimates, it is possible that additional Client requirements or details can emerge. If new requirements are discovered or additional products and/or services are required, it may change the estimated cost and timeline provided.

## PrimeGov Implementation: Methods and Stages

PrimeGov's implementation methodology framework includes planning and discovery, implementation, and project closure. The discovery period includes comprehensive review and analyses of the Client's business processes for agenda and management. Additional discovery sessions will be held with subject matter experts to map and document workflows, forms, and documents to drive a successful Configuration period and lead into Training, Go Live, and Transition to the Support team for on-going, long-term support.

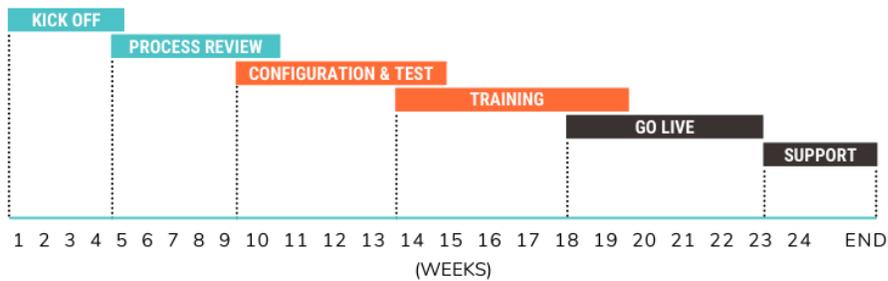


The project will consist of three distinct stages:

1. Planning & Discovery
  - Kick Off
  - Process Review
2. Implementation
  - Configuration & Test
  - Training
3. Project Closure
  - Go Live
  - Transition to Support

## Projected Timeline

The estimated project timeline is 24 weeks. The projected timeline can be impacted by changes to the project scope and based on commitments to the general project requirements.



**Sample Timeline**

The PrimeGov Project Manager will work with the Client team during the Planning and Discovery Phase to identify implementation priorities and may shift the timeline and the timeline duration based on those priorities.

### Project Team

PrimeGov’s Project Team includes a dedicated Project Manager, Implementation Consultant, and Technical Lead. Throughout the project, our team’s goal is to ensure a successful, on-time Go Live of the PrimeGov system and long-term successful use. Our team brings industry best practices and product expertise to all sessions to ensure we are meeting your needs and working to simplify and improve processes, workflows, committee management, and meeting management. The PrimeGov Project Manager will be responsible for leading the project to drive dates, deliverables, and completion of the project. The PrimeGov team will partner with the assigned Client Project Manager during the entire project cycle to ensure transparency, accountability, and successful completion of the project.

### Client Team

It is important for the Client to create a solid project team for a successful PrimeGov implementation and wide adoption of the solution. Below are the recommended project team roles:

1. **Project Manager:** The Project Manager should be someone who manages the Client team’s performance of project tasks and secures acceptance and approval of deliverables from the Client stakeholders. The Project Manager is responsible for communication, including status reporting, risk management, escalation of issues, and, in general, making sure the project is delivered on schedule and within scope. The Project Manager will have signature authority for the acceptance of deliverables by Client. The Project Manager’s responsibilities will also include, but not be limited to:

- a. Collaboration with PrimeGov resources on the project schedule deliverables;
  - b. Coordination with key stakeholders, representatives, and decision makers;
  - c. Facilitation of timely decision-making and resolution of issues; and
  - d. Coordination of Client resources for decision-making, project management, testing, training, etc.
2. **System Administrator:** The System Administrator should be a person who is closely involved with the legislative process: from the approval process of legislation to the creation of minutes. This person should consider him or herself computer-savvy. The System Administrator is responsible for maintaining the administration tab, managing the configuration of the system, user management, etc. in PrimeGov. The System Administrator’s responsibilities will also include, but not be limited to:
- a. Collaboration with PrimeGov resources on the project schedule deliverables;
  - b. Serving as internal resource to PrimeGov users; and
  - c. Coordination with key stakeholders, representatives, and decision makers.
3. **IT Lead:** The IT Lead works closely with the Project Manager to ensure that PrimeGov is deployed properly and helps solve IT issues that might arise.
4. **Subject Matter Experts:** It is important that Subject Matter Experts—such as the Clerk, department management and staff, and the City Manager—are an integral part of the Project Team to consult on the legislative process of the Council, from the approval process of legislation to the creation of minutes. These people may also be responsible for indexing the recording during the meeting if video/audio recording is involved.
5. **Backup System Administrator:** This Backup System Administrator will serve as support to the System Administrator and preferably has a solid understanding of the legislative process of the Client jurisdiction—from the approval process of legislation to the creation of minutes—as well as a good level of technological skills.

## User Testing

PrimeGov’s implementation includes Prime walk-throughs and approvals of the system by the Client for each milestone ("User Acceptance Testing"). Thorough testing is required throughout the project plan prior to designated walk-throughs and approvals ("Sign-Off"). Prior to training and overall project completion, end-to-end

walkthroughs of the system and approval is required during the Implementation Stage.

Testing starts with PrimeGov’s comprehensive testing of each area throughout the configuration. Once testing passes PrimeGov’s standards, the Client and PrimeGov will walk-through the area. After the walk-through, the Client's user groups will spend time—as a group and as individuals—continuing to test all areas of the project prior to moving to the next project milestone. Issues reported are tracked and organized on a templated test case system to ensure transparency and real-time access to updates and improvements. Issues reported will be fixed and feature requests will be documented prior to sign-off.

Prior to Training, extensive end-to-end testing will be completed by the PrimeGov team. We will assign the Client project team members with user acceptance testing for final sign-off and further familiarity with the PrimeGov solution. Training materials are available at this stage to enhance the user testing experience prior to final walk-through and sign-off.

### Training Plan

As part of system set-up, PrimeGov offers live training sessions through Zoom. The PrimeGov training package includes up to 15 hours of live training. Our recommended training schedule is a total of 12.5 hours over a four-day period and is organized to train three user groups: System Admins, Clerks/Staff and Council Members.

We also include an additional 2.5 hours that can be used for any additional training needs as determined by the project team. Training hours are valid during the training stage of implementation and expire two weeks after your first live meeting with PrimeGov.

The table in this document summarizes the recommended training schedule including audiences, length, and descriptions for each session. This training package is included in the PrimeGov system set-up fee. In addition to live training, the Client will also have 24/7 access to PDF and video resources in our support knowledgebase.

### Live Training Notes

- Trainings are delivered virtually through Zoom and range between 60-120 minutes per session.
- Trainings are recorded for future reference and links to recordings will be provided.

- We recommend users be logged into their PrimeGov accounts to follow along with trainings.
- We recommend System Admins attend all trainings.
- The training schedule outlined below is flexible and can be revised if that is determined to be desirable and/or necessary by the project managers for Client and PrimeGov.

### Training Requirements by Audience

- System Admins: 12.5 hours of training sessions. We recommend Admins attend all sessions.
- Clerks/Staff: 8 hours of training sessions.
- Council/Committee Members: One 60-minute training session. Members need their tablet or laptop devices typically used for voting and viewing in documents with them at these trainings.

### Training Breakdown

Training Day	Audience(s)	Training Session	Length	Description
1	- System Admins	System Management: Session 1	90 mins	This is the first of two sessions for system administrators only. This training will dive into the Admin area in the PrimeGov system and cover "maintenance" or "system upkeep" responsibilities like updating positions/user access/meeting roles/etc.
		System Management: Session 2	60 mins	This is the second of two sessions for system administrators only. This training will continue from the first admin session.]
2	- Clerks/Staff - System Admins	Building an Agenda: Submitting Items and Managing Task Lists	90 mins	This session will cover all areas of building an agenda before the meeting. We'll start with submitting an agenda item through a form all the way through managing tasks and moving items through the workflow to ultimately make it onto the agenda.
		Finalizing an Agenda and the Live Meeting	90 mins	This session will cover all areas of finalizing and compiling agendas to the public before a meeting. We'll also dive into a live meeting covering your steps right before 'go-live' and during the meeting actions. Come ready to participate and get familiar with the live meeting system.
		Post Meeting Processes	60 mins	This session will cover post-meeting responsibilities. Topics like post-meeting clean up, time stamping videos and compiling Minutes and Packets to publish publicly will all be covered during this session.

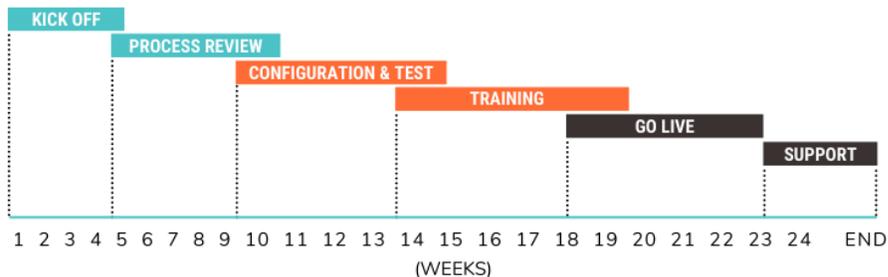
Training Day	Audience	Training Session	Length	Description
3	- Clerks/Staff - System Admins	Mock (short) Live Meeting #1	120 mins	This will be the first of two practice walkthroughs of a live meeting. This is interactive mimicking the behaviors and actions of a meeting like activating items, roll call, minutes and motions, etc. Includes Q/A session.
4	- Council Members <i>*council members attend only 1 session.</i> - System Admins	Council/Committee Member Training (Group #1)	60 mins	This session is for the first group of council and committee members. We will show council members and committee members how to use the PrimeGov system for their meeting participation. We'll cover viewing agenda details along with voting and using Zoom, if you're virtual. Voting devices are required for this session for each member. Each member should attend only one of the council member and committee member trainings. There should be no majority of council members present.
		Council/Committee Member Training (Group #2)	60 mins	This session is for the second group of council and committee members. We will cover the same details as with the first group.
	- Clerks/Staff - System Admins	Mock (short) Live Meeting #2	120 mins	This will be the second of two practice walkthroughs of a live meeting.
Misc.	TBD	TBD	150 mins	This is a 2.5-hour bucket of optional training sessions to be used at the discretion of the project team.

### 12.1.2. Relate estimates (days) for a typical project.

The estimated project timeline is 24 weeks or approximately 120 business days. The projected timeline can be impacted by changes to the project scope and based on commitments to the general project requirements.

The PrimeGov Project Manager will work with the Client team during the Planning and Discovery Phase to identify implementation priorities and may shift the timeline and the timeline duration based on those priorities.

### 12.1.3. What is the typical timeline for a Go-Live for a project likes ours?



Sample Timeline

PrimeGov’s implementation methodology framework includes planning and discovery, implementation, and project closure. The discovery period includes comprehensive review and analyses of the Client’s business processes for agenda and management. Additional discovery sessions will be held with subject matter experts to map and document workflows, forms, and documents to drive a successful Configuration period and lead into Training, Go Live, and Transition to the Support team for on-going, long-term support.



The project will consist of three distinct stages:

Planning & Discovery

- Kick Off
- Process Review

Implementation

- Configuration & Test
- Training

Project Closure

- Go Live
- Transition to Support

**12.1.4. Rough estimate in weeks/months.**

The estimated project timeline is 24 weeks. The PrimeGov Project Manager will work with the Client team during the Planning and Discovery Phase to identify implementation priorities and may shift the timeline and the timeline duration based on those priorities.

**12.1.5. What factors typically impact the success of a project?**

PrimeGov’s consultative implementation approach ensures project success, wide internal adoption of the PrimeGov solution, and customer satisfaction.

PrimeGov’s Project Team includes a dedicated Project Manager, an Implementation Consultant, and a Technical Lead. Throughout the project, our team’s goal is to ensure a successful, on-time Go Live of the PrimeGov system and long-term successful use. Our team brings industry best practices and product expertise to all sessions to ensure we are meeting your needs and working to simplify and improve processes, workflows, committee management, and meeting management. The PrimeGov Project Manager will be responsible for leading the project to drive dates, deliverables, and completion of the project. The PrimeGov team will partner with the assigned Client Project Manager during the entire project cycle to ensure transparency, accountability, and successful completion of the project.

The projected timeline can be impacted by changes to the project scope and based on commitments to the general project requirements. The PrimeGov Project Manager will work with the Client team during the Planning and Discovery Phase to identify implementation priorities and may shift the timeline and the timeline duration based on those priorities.

**12.1.6. Describe your Help Desk Support organization.**

PrimeGov insists that its clients have access to the best customer support in the industry. At PrimeGov, we built our support system with alerts to anticipate any service disruption so that our Customer Success team can address any technical items before they become an issue for our customers. In the case where a Customer discovers an issue, or the Service is unavailable, the Customer should notify the PrimeGov Customer Success team through one of the following channels:

- a. Entering a ticket in the help desk system at support.primegov.com.
- b. E-mailing the Customer Success team directly at support@primegov.com.
- c. Calling the Customer Success team at 1-833-634-6349.

**12.1.7. Include details of Level 1, Level 2 and escalation procedures.**

The Customer will supply their determined priority for each support item logged in accordance with the following Priority Code:

PRIORITY CODE	DESCRIPTION
P1 - Critical	The problem is impacting all Users by the Service being unavailable with no work-around available.

High	The problem is impacting a significant number of Users and is causing a significant business impact, where there is no work-around available.
Moderate	The problem is impacting a small number of Users and is causing a minor business impact or is causing a significant business impact, but there is a workaround available.
Low	Non-service affecting defect. Non-urgent or cosmetic problems, queries, causing inconvenience only.

A Support Call's Priority Code may be escalated by either the Customer or PrimeGov, if it is found to be more business critical than first realized or if the steps to resolve are proving unsatisfactory. In the event of escalation, the following contacts from PrimeGov should be called:

ROLE	NAME	CONTACT EMAIL
Technical Support Lead	Sydney Erickson	sydney.erickson@primegov.com
Technical Support Director	Larry Thorpe	larry.thorpe@primegov.com
President	Sherif Agib	sherif@primegov.com

#### **12.1.8. Describe your support services.**

In addition to the Help Desk Support outlined in 12.1.6, PrimeGov provides a searchable online knowledge base for questions and issue resolution that is available at [support.primegov.com](http://support.primegov.com). The documentation provided includes product updates, technical assistance, and tutorials. The content is regularly updated and expanded and each article contains links to related articles for increased navigation. The knowledge base is available on the same website as the support ticket management system for ease-of-use.

#### **12.1.9. Hours of operation, contact information, ticket submission, response times, etc.**

Regular Support Services are provided between 8:00 am and 6:00 pm Mountain Time, Monday through Friday. On-call and emergency support are provided outside

of regular Support Service hours online and by phone. More specifically, the hours are as follows:

- i. **Call for phone support.** Phone support is available twenty-four (24) hours a day, seven (7) days a week by calling 1-833-634-6349.
- ii. **Enter an issue in the help desk system.** This service is available twenty-four (24) hours a day, seven (7) days a week at [support.primegov.com](http://support.primegov.com).
- iii. **Email an issue to the Customer Success team.** This service is available twenty-four (24) hours a day, seven (7) days a week.

PrimeGov will aim to provide the Customer with a response within a specific time limit based on the agreed Priority Code of the Support Issue. The following Target Response Times are within the hours of coverage:

PRIORITY CODE	DESCRIPTION	TARGET RESPONSE TIME <
P1	Critical	30 minutes
P2	High	1 hour
P3	Moderate	2 hours
P4	Low	40 hours

**12.1.10. Describe how you provide support to our suppliers.**

Suppliers typically do not have access to the PrimeGov solution. Theoretically you could set up a supplier as a user in our system for example if you wanted to have outside legal review agenda items as part of the approval process. A staff member would need to seek support from our help desk.

**13. Cost**

**13.1.1. What is the cost for closed captioning?**

Closed captioning is based on the number of hours of captioning used on an average month with larger volumes receiving a discount. The rate could vary between \$60 per hour for a small volume of captioning or \$20 per hour for a high volume of captioning.

**13.1.2. What is the cost for streaming appliance if required?**

\$2000 per encoder

**13.1.3. What is the cost of fully managed indexing service?**

We can partner with either GovTV or Swaggit for this service.

**13.1.4. What is the cost of fully remotely managed multi-camera service?**

We can partner with either GovTV or Swaggit for this service.

**13.1.5. What is the cost of a hybrid Zoom integrated meeting feature?**

Integration with Zoom Business is provided at no additional cost to our video streaming clients.

**13.1.6. What is the pricing structure for live streams?**

Live streaming pricing is based on operating budget.

**13.1.7. What is the pricing structure for hosted videos?**

Unlimited hosting is included in the cost of the streaming service.

**13.1.8. Is there a setup Fee?**

Set up is roughly 20% of the annual recurring service fee.

**13.1.9. Are there limits to video storage?**

PrimeGov provides unlimited data storage for its clients as part of our standard solution offerings.



## Section 3: Contracting Terms and Options

### PRIMEGOV SERVICE AGREEMENT (“Agreement”)

THIS AGREEMENT is made on the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_  
BETWEEN

1. **PRIME GOVERNMENT SOLUTIONS Inc**, having its principal office at 4250 Drinkwater Blvd., Suite 300, Scottsdale, AZ 85251 (the “Supplier”); and
2. \_\_\_\_\_, whose registered office is at \_\_\_\_\_ (the “Customer”)  
(and at times referred to in this Agreement as a “party” or “parties”)

#### BACKGROUND

- A. The Supplier has developed and owns the Service (as defined in clause 1) and has granted to the Customer a non-exclusive license to use such Service solely for Customer’s internal operations and in accordance with the terms and conditions of this Agreement. The terms of this Agreement shall also apply to any updates and upgrades subsequently provided by Supplier to Customer for the Service. Supplier may update the functionality of or make modifications to the Service and user interface of the Service from time to time in its sole discretion and shall not be liable to Customer or to any third party for any modification of the Service. Supplier will use commercially reasonable efforts to notify Customer of any material modifications.
- B. The Customer wishes the Supplier to provide certain support services in respect of the Service in accordance with the provisions set out in Schedule 1 of this Agreement (“Support Services”).

#### OPERATIVE PROVISIONS

##### 1. DEFINITIONS

In this Agreement the following expressions will have the following meanings unless inconsistent context:

- “Affiliate”** means any company or non-corporate entity that controls, is controlled by, or is under common control with a party. An entity shall be regarded as in control of another company or entity if it owns or directly or indirectly controls more than 50 per cent. of the voting rights of the other company or entity.
- “Application Password”** means any encryption keys, certificates, passwords, access codes, user IDs or other login information provided to or used by Customer for the purpose of accessing and using the Service.
- “Business Day”** a day that is not a Saturday, Sunday, or public holiday.
- “Client Environment”** means the Customer hardware and software system containing the minimum specification, which the Customer, as advised by Supplier, is required to have to enable the Customer to connect with the Service.
- “Customer Data”** means data, information or material provided or submitted by Customer or any User to the Supplier in the course of utilizing the Service.
- “Data Controller”** means the party that controls the procedures and purpose of data usage, including collection, modification, storage, and disposal.
- “Data Processor”** means the party that processes the data under the Data Controller’s specific instruction.
- “Effective Date”** means the date of this Agreement signed by the Supplier and the Customer.
- “Intellectual Property Rights”** means all intellectual and industrial property rights of any kind whatsoever, registered or unregistered, including patents, know-how, software, code, intellectual property specifications, design plans, prototypes, drawings, software, software documentation, material, documents, ideas, operations, processes, product information, know how, and the like including mode and procedures of development of source code, registered trademarks, registered designs, utility



models, applications for and rights to apply for any of the foregoing, unregistered design rights, unregistered trademarks, rights to prevent passing off for unfair competition and copyright, database rights, topography rights, and any other rights in any invention, discovery or process, in each case in all countries in the world and together with all renewals and extensions.

<b>“Personal Data”</b>	means data that is processed by the Supplier on behalf of the Customer in relation to this Agreement and may include any information or data derived from Services that alone or together with any other information relates to an identified or identifiable natural person, or data considered to be personal data as defined under applicable privacy law.
<b>“Pricing Schedule”</b>	means Schedule 2 to this Agreement which sets out the prices and payment terms for the Service.
<b>“Professional Services”</b>	means the general consulting, implementation and/or training services to be provided to Customer.
<b>“Purchase Order”</b>	means a purchase order issued by the Customer to the Supplier for the Service.
<b>“Service”</b>	means Supplier’s online software applications purchased by Customer and maintained through Support Services by Supplier including associated offline components and ancillary online or offline services to which Customer is granted access under this Agreement.
<b>“Service Level Commitments”</b>	the service level commitments in respect of the Service to the Customer as more particularly set out in Schedule 1.
<b>“Term”</b>	means the term of this Agreement as specified in clause 3.
<b>“User”</b>	means one (or, if more than one, “Users”) of Customer’s employees, representatives, consultants, contractors or agents and other persons expressly permitted by Customer in connection with Customer’s business affairs who are authorized to use the Service and have been supplied User identifications and passwords by Customer.

## 2. INTERPRETATION

- Person:** The expression “person” means any individual, firm, body corporate, unincorporated association, or partnership, government, state, or agency of a state or joint venture.
- Heading:** The index and headings to the clauses, the Appendices and Schedules of this Agreement are for convenience only and will not affect its construction or interpretation.
- Statutes:** Any reference to a statute or statutory provision and all regulations and notices made pursuant to it (whether made before or after the date of this Agreement), includes a reference to the same as from time to time amended, modified, extended, re-enacted, consolidated, or replaced provided that amendments, consolidations, modifications, extensions, re-enactments or replacements made after the date of this Agreement will not have substantively changed any provision which is relevant to this Agreement.
- Provisions of the Agreement:** Any reference in this Agreement to a clause, Schedule or Appendix is a reference to a clause, Schedule or Appendix of this Agreement and references in any Schedule or Appendix to paragraphs relate to the paragraphs in that Schedule or Appendix. The Schedules and Appendices form part of this Agreement and will have the same force and effect as if expressly set out in the body of this Agreement and any reference to this Agreement will include the Schedules and Appendices.
- Writing:** Any references to “writing” or “written” includes references to any communication effected by post, facsimile, email or any comparable means.

## 3. TERM

- This Agreement shall unless terminated in accordance with clause 19, commence on the Effective Date and shall continue for an initial period of XXXX (X) years therefrom (the “Initial Term”).
- The term of this Agreement shall automatically extend for a period of one (1) year (the “Extended Term”) at the end of the Initial Term and at the end of each Extended Term, unless either party gives written notice to the other party not later than three (3) months before the end of the Initial Term or the relevant Extended Term, to terminate this Agreement at the end of the Initial Term or the relevant Extended Term, as the case may.

## 4. CUSTOMER USE OF THE SERVICE

- Supplier grants Customer a license to access and use the Service during the Term via the internet under and subject to the terms of this Agreement. Supplier reserves the right to make changes and updates to the functionality and/or documentation of the Service from time to time.

## 5. FEES AND PAYMENT

- Customer agrees to pay fees as set forth in the Pricing Schedule (“Service Fees”).
- The Service Fees are to be paid annually in advance commencing on the Effective Date of this agreement and are non-refundable.

3. The Service Fees shall be billable and payable annually in advance for a twelve (12) month period at a time (a “**Service Year**”) on the anniversary of the Effective Service Date (“**Renewal Date**”) for the first year and for each year thereafter the Service Fees shall be payable annually in advance on each subsequent anniversary of the Renewal Date. One month prior to the expiry of a Service Year (“**Service Year Expiry Date**”) the Service Fees for the Service Year will be invoiced by the Supplier to the Customer in respect of the Service to be provided in the following Service Year. The Customer shall pay the Service Fees on or before the relevant Service Year Expiry Date.
  4. Where any additional Service(s) is acquired by the Customer during the period between one Renewal Date and the next Renewal Date (the “**Installation Year**”) the Service Fees payable shall be calculated pro-rata, from the date of the Purchase Order for the Service(s) in the Installation Year up to the next Renewal Date applicable to Customer’s other Licenses. For all subsequent years thereafter, the Service Fees shall be payable annually in advance on each anniversary of the Renewal Date in accordance with this Agreement.
  5. Where the Supplier performs Professional Services under this Agreement (such as configuration of the Support Service if requested by Customer or migration of Customer Data to the Service), such services shall be invoiced by the Supplier on a time and material basis in accordance with the Supplier’s rates in effect at the time of provision of such services (“**Professional Services Fees**”) unless otherwise agreed in writing between the Parties and will be payable without withholding, deduction or off set of any amounts for any purpose.
  6. The Service Fees and Professional Service Fees do not include local or foreign taxes, duties, fees, and levies imposed from time to time by any government or other authority (“**Taxes**”) and such Taxes, where applicable, will be payable by the Customer on the Service Fees and Professional Services Fees, at the rate applicable at the time of supply of the Service and/or Professional Services.
  7. The Customer shall pay each invoice within thirty (30) days of receipt of this invoice.
  8. Customer agrees to provide Supplier billing and contact information as Supplier may reasonably require. Customer agrees to update this information promptly by means of email to the Supplier and in any case within fifteen (15) days, if there is any change.
- 6. NON-PAYMENT**
1. Customer’s account will be considered delinquent (in arrears) if the Supplier has not received payment in full within thirty (30) days after the due date, and without prejudice to any other rights and remedies of the Supplier;
  2. Interest shall accrue on any payments (or any part thereof) outstanding at a rate of one and a half per cent (1.5%) per month or the highest rate allowed by applicable law, whichever is lower, plus all expenses of collection, including reasonable legal fees and court costs;
  3. Subject to clause 6.4 below, the Supplier may, upon giving ten (10) days written notice but without liability to the Customer, disable/suspend the Customer’s password account and access to all part of the Service until the Supplier shall be under no obligation to provide any call of the Service while an invoice (or any part thereof) remain unpaid;
  4. Supplier may, in its discretion, decide not to exercise its rights under clause 6.2 (interest) and 6.3 (suspension), if Customer is disputing the applicable Service Fees and/or Professional Services Fees reasonably and in good faith and is cooperating diligently to resolve the dispute.
  5. Supplier reserves the right to impose a reconnection fee if the Service is suspended (as a result of Customer’s breach) but subsequently reinstated.
  6. Without recourse to clause 6.1 (delinquency), Supplier reserves the right to terminate this Agreement if Customer’s account falls into arrears thirty (30) days after the due date.
- 7. RESTRICTIONS ON USE OF THE SERVICE**
1. The Customer may not:
    - 7.1.1 make the Service or use the Service for the benefit of anyone else other than the Customer and the Customer’s Users. Customer shall access and use the Service only to the extent of authorizations acquired by the Customer in accordance with this Agreement (for example the quantity specified in the relevant Purchase Order) and Customer agrees that the Customer is solely responsible for use of the Service by any Users who access and/or use the Service. Customer agrees to immediately notify the Supplier if Customer becomes aware of any loss or theft or unauthorized use of Customer’s account credentials.
    - 7.1.2 sublicense, resell or supply the Service for use in or for the benefit of any other organization, entity, business, or enterprise without Supplier’s prior written consent;
    - 7.1.3 submit to the Service any material that is illegal, misleading, defamatory, indecent or obscene, in poor taste, threatening, infringing of any third-party proprietary rights, invasive of personal privacy, or otherwise objectionable (collectively “**Objectionable Matter**”). Customer will be responsible to ensure that its Users do not submit any Objectionable Matter. In addition, the Supplier may, at its option, adopt rules for permitted and appropriate use and may update them from time to time on the Supplier web site and Customer and Customer’s Users will be bound by any such rules. Supplier reserves the right to remove any Customer Data that constitutes Objectionable Matter or violates any Supplier rules regarding appropriate use but is not obligated to do so. Customer and Customer’s Users will comply with all applicable laws regarding Customer Data and use of the Service.
    - 7.1.4 interfere with or disrupt the integrity or attempt to gain unauthorized access to the Service or the Supplier’s intellectual property therein;
    - 7.1.5 copy the Service or any part, feature, function or user interface thereof;
    - 7.1.6 frame or mirror any part of any Service on any other server or wireless or internet-based device outside of the agreed usage in this contract; or

- 7.1.7 access any part of the Service in order to build a competitive product or service or to build a product using similar ideas, features, functions or graphics of the Service;
2. Supplier reserves the right to disable, suspend or terminate this Agreement for cause in case the Customer breaches the provisions of this clause 7.

## 8. CUSTOMER DATA

1. The Customer shall own all rights, title and interest in and to all of the Customer Data and shall have sole responsibility for the legality, reliability, integrity, accuracy and quality of the Customer Data.
2. Supplier will use best efforts to provide protection using current technological standards to protect Customer Data against unauthorized disclosure or use.
3. In the event of any loss or damage to Customer Data, the Customer's sole and exclusive remedy shall be for the Supplier to use reasonable commercial endeavors to restore the lost or damaged Customer Data from the latest back-up of such Customer Data maintained by the Supplier. The Supplier shall not be responsible for any loss, destruction, alteration, or disclosure of Customer Data caused by any third party (except those third parties sub-contracted by the Supplier to perform services related to Customer Data maintenance and back-up).
4. Subject to the terms and conditions of this Agreement, Customer grants to Supplier a non-exclusive license to use, copy, store, transmit and display Customer Data to the extent reasonably necessary to provide and maintain the Service.

## 9. CUSTOMER'S OBLIGATIONS

1. The Customer shall:
  - 9.1.1 provide the Supplier with:
    - (i) all necessary co-operation in relation to this Agreement; and
    - (ii) all necessary access to such information as may be required by the Supplier in order to render the Service, including but not limited to Customer Data, security access information and configuration services;
  - 9.1.2 comply with all applicable laws and regulations with respect to its activities under this Agreement;
  - 9.1.3 carry out all other Customer responsibilities set out in this Agreement in a timely and efficient manner. In the event of any delays in the Customer's provision of such assistance as agreed by the parties, the Supplier may adjust any agreed timetable or delivery schedule as reasonably necessary;
  - 9.1.4 ensure that the Users use the Service in accordance with the terms and conditions of this Agreement and shall be responsible for any User's breach of this Agreement;
  - 9.1.5 obtain, maintain and renew any necessary licenses, consents, and permissions necessary for the Supplier, its contractors and agents to perform their obligations under this Agreement, including without limitation the Service;
  - 9.1.6 ensure its networks and systems comply with the relevant specifications provided by the Supplier from time to time;
  - 9.1.7 shall be solely responsible for procuring and managing all Application Passwords as Customer will be the only party with knowledge of its passwords. If Customer makes such Application Passwords available to any third party, Customer shall be liable for all actions taken by such third party in connection with the Service. Customer shall not disclose or make available the Application Password other than to Customer's authorized employees or contractors, shall use all commercially reasonable efforts to prevent unauthorized access to, or use of, the Application Password and the Service and will notify the Supplier promptly of any such unauthorized access or use and make any disclosures related to such unauthorized access or use which may be required under any applicable laws; and
  - 9.1.8 be solely responsible for procuring and maintaining its network connections and telecommunications links from its systems to the Supplier, and all problems, conditions, delays, delivery failures and all other loss or damage arising from or relating to the Customer's network connections or telecommunications links or caused by the internet.

## 10. PROFESSIONAL SERVICES

1. Customer may retain Supplier to perform Professional Services as the parties may agree upon in writing ("Work Order"). Supplier will use reasonable efforts to carry out the Professional Services stated in the Work Order and to provide any resulting functionality in the Service made available online to Customer and Customer's Users. Except as the parties otherwise agree in a Work Order, Professional Services and the results thereof are made available "AS IS."
2. Unless otherwise agreed in writing either under this Agreement or in the Work Order, Professional Services are provided by Supplier on a time and materials basis. Maintenance and support of code or functionality created by means of Professional Services will likewise be on a Work Order basis under this clause 10 unless otherwise agreed in writing. The code and functionality made or provided under this clause 10 and all proprietary and intellectual property interests therein, will be Supplier's property. Access to the results of Professional Services will be available, subject to any further terms as may be agreed between the parties, as part of the Service during the Term unless otherwise agreed in writing.

## 11. INTELLECTUAL PROPERTY RIGHTS

1. Customer will not acquire any title copyright or other proprietary rights or Intellectual Property Rights in the Service or to the source code of the Service including in any materials or supporting documentation provided under the Service as provided in this Agreement.
2. The Supplier shall at all times be the sole owner of all title and Intellectual Property Rights emanating from any intellectual property, additional coding, data or patents, any discovery, invention, secret process, development, research or improvement in procedure that may be generated in connection with this Agreement including, but not limited to, any derivative works and Customer-specific enhancements and modifications. All intellectual property and other proprietary rights made, conceived or

developed by the Supplier alone or in connection with the Customer in the course of the supply of the Service shall at all times be and remain the sole and exclusive property of the Supplier along with any improvement of any process, know-how, technology and any other materials in respect of the Service to be provided under this Agreement.

3. The Customer agrees not to remove, modify or use in any way any of Supplier's proprietary marking, including any trademark, product or service names or copyright notice, without the prior written consent of the Supplier.

## 12. PRIVACY

Supplier agrees to implement its privacy policies in effect from time to time.

## 13. SERVICE LEVEL WARRANTY

Supplier warrants during the Term of this Agreement that the Service will meet the Service Level Commitment stated in Schedule 1.

## 14. ADDITIONAL WARRANTIES

Each party represents and warrants that it has the legal power and authority to enter into this Agreement.

## 15. INDEMNIFICATION

1. Supplier will defend, indemnify, and hold Customer (and its officers, directors, employees and agents) harmless from and against all costs, liabilities, losses, and expenses (including reasonable legal fees) (collectively, "Losses") arising from any third-party claim, suit, action, or proceeding arising from the actual or alleged infringement of any copyright, patent, trademark, or misappropriation of a trade secret by the Service or Supplier Content (other than that due to Customer Data). In case of such a claim, Supplier may, in its discretion, procure a license that will protect Customer against such claim without cost to Customer or replace the Service with a non-infringing Service. THIS CLAUSE 15.1 STATES CUSTOMER'S SOLE AND EXCLUSIVE REMEDIES FOR INFRINGEMENT OR CLAIMS ALLEGING INFRINGEMENT. This indemnity by Supplier shall not apply to the extent that the claim of infringement of Intellectual Property Rights arose as a result of i) any negligent act or omission or willful misconduct of the Customer pursuant to this Agreement; (ii) any misuse or modification of the Service by the Customer, including, but not limited to the Customer's use of the Service in a manner inconsistent with information, directions, specifications, or instructions provided and approved by Supplier; (iii) the Customer's use of the Service in combination or conjunction with any product, service, device, or method not owned, developed, furnished, recommended, or approved by Supplier; (iv) the combination, operation or use of the Service with non-Supplier programs, data, methods or technology if such infringement would have been avoided without the combination, operation or use of the Service with other programs, data, methods or technology, or (v) Customer's breach of any of the provisions of section 7 of this Agreement.
2. Customer will defend, indemnify, and hold Supplier (and its officers, directors, employees and agents) harmless from and against all Losses arising out of or in connection with a claim, suit, action, or proceeding by a third party (i) alleging that the Customer Data or other data or information supplied by Customer infringes the intellectual property rights or other rights of a third party or has caused harm to a third party or (ii) arising out of breach of clause 7 above.
3. Customer will defend, indemnify, and hold Supplier (and its officers, directors, employees and agents) harmless from any expense or cost arising from any third-party subpoena or compulsory legal order or process that seeks Customer Data and/or other Customer-related information or data, including, without limitation, prompt payment to Supplier of all costs (including legal fees) incurred by Supplier as a result. In case of such subpoena or compulsory legal order or process, Customer also agrees to pay Supplier for its staff time in responding to such third-party subpoena or compulsory legal order or process at Supplier's then applicable hourly rates.
4. In case of any claim that is subject to indemnification under this Agreement, the party that is indemnified ("Indemnitee") will provide the indemnifying party ("Indemnitor") reasonably prompt notice of the relevant claim. Indemnitor will defend and/or settle, at its own expense, any demand, action, or suit on any claim subject to indemnification under this Agreement. Each party will cooperate in good faith with the other to facilitate the defense of any such claim and will tender the defense and settlement of any action or proceeding covered by this clause 15 to the Indemnitor upon request. Claims may be settled without the consent of the Indemnitee, unless the settlement includes an admission of wrongdoing, fault, or liability.

## 16. DISCLAIMERS AND LIMITATIONS

1. Except with regard to Customer's payment obligations under clause 5 and with regard to either party's indemnification obligations under clause 15, in no event will either party's aggregate liability exceed the Service Fees due for the preceding twelve (12) month period at the time of the event or circumstance giving rise to such claim. Except in regard to Customer's breach of clause 7, in no event will either party be liable for any indirect, special, incidental, consequential damages of any type or kind (including, without limitation, loss of data, revenue, profits, use or other economic advantage).
2. The Supplier is not responsible for any defects or damages resulting from Customer's or Customer's agents or employees mishandling, abuse, misuse, accident, or Force Majeure. The Customer agrees to inform the Supplier of any Customer system change that may reasonably be expected to affect the Supplier's ability to provide the Service and shall notify the Supplier of any change to its IT configuration affecting the Services. The Supplier shall not be held responsible for the availability of telephone lines, the Internet, electricity, or servers outside its reasonable control. The Supplier provides no warranty or guarantee in relation to speed of delivery of the Service, including the speed of any restores. The speed of delivery of the Service is dependent on factors outside the control of the Supplier including inter alia the speed, functionality and condition of the Customer's IT infrastructure, the amount of data being restored and/or the bandwidth of the Customer's internet connection. Any errors caused arising from the inadequacy or defectiveness of the Customer's IT infrastructure and/or the connectivity and bandwidth of the Customer's internet connection may affect the delivery of the Service including the performance of any restores. The Supplier will notify

Customer of any technical failures in respect of delivery of the Service of which it is aware and subject to the terms of the Service Level Commitments, will endeavor to work with Customer to assist with rectification of any such failures. Customer acknowledges that changes may be required to the Customer's IT infrastructure and/or to its internet connectivity including its bandwidth capacity or otherwise to improve the speed, performance and/or delivery of the Service. Customer shall be responsible for the cost of any such changes. Any administrative and technical notifications in respect of the delivery of the Service will be sent by email to the Customer.

3. Except as set forth in the Service Level Commitments, the Supplier makes no warranty that the Service will be uninterrupted, timely, secure or error free. The Supplier expressly disclaims all liability howsoever arising from any change made to the Customer's IT configuration of the Client Environment of which Customer has not notified the Supplier in writing. No statement, whether oral or written, obtained by Customer from the Supplier shall create any warranty not expressly made herein.
4. The Customer recognizes that the Internet consists of multiple participating networks that are separately owned and not subject to the Supplier's control. The Customer agrees that the Supplier shall not be liable for damages incurred or sums paid when the Service is temporarily or permanently unavailable due to malfunction of, or cessation of, internet services by networks or Internet service providers not subject to the Supplier's control, or for transmission errors in, corruption of, or the security of the Customer Data or data transmitted through the Service carried on such networks or Internet service providers. The Supplier shall have no liability hereunder for damages incurred or sums paid due to any fault of Customer or any third party, or by any harmful components (such as computer viruses, worms and computer sabotage). The Supplier is not liable for any breach of security on the Customer's network, regardless of whether any remedy provided in this Agreement fails in its essential purpose.
5. THE WARRANTIES EXPRESSLY STATED IN THIS AGREEMENT ARE THE SOLE AND EXCLUSIVE WARRANTIES OFFERED BY SUPPLIER. THERE ARE NO OTHER WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THOSE OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. THE SERVICES ARE PROVIDED TO CUSTOMER ON AN "AS IS" AND "AS AVAILABLE" BASIS. CUSTOMER ASSUMES ALL RESPONSIBILITY FOR DETERMINING WHETHER THE SERVICE OR THE INFORMATION GENERATED THEREBY IS ACCURATE OR SUFFICIENT FOR CUSTOMER'S PURPOSES.

#### 17. CONFIDENTIALITY

1. "Confidential Information" means non-public information, technical data or know-how of a party and/or its Affiliates, which is furnished to the other party in written or tangible form in connection with this Agreement. Oral disclosure will also be deemed Confidential Information if it would reasonably be considered to be of a confidential nature or if it is confirmed at the time of disclosure to be confidential.
2. Notwithstanding the foregoing, Confidential Information does not include information which is: (i) already in the possession of the receiving party and not subject to a confidentiality obligation to the providing party; (ii) independently developed by the receiving party; (iii) publicly disclosed through no fault of the receiving party; (iv) rightfully received by the receiving party from a third party that is not under any obligation to keep such information confidential; (v) approved for release by written agreement with the disclosing party; or (vi) disclosed pursuant to the requirements of law, regulation or court order, provided that the receiving party will promptly inform the providing party of any such requirement and cooperate with any attempt to procure a protective order or similar treatment.
3. Neither party will use the other party's Confidential Information except as reasonably required for the performance of this Agreement. Each party will hold in confidence the other party's Confidential Information by means that are no less restrictive than those used for its own confidential materials. Each party agrees not to disclose the other party's Confidential Information to anyone other than its employees or subcontractors who are bound by confidentiality obligations and who need to know the same to perform such party's obligations hereunder. The confidentiality obligations set forth in this clause 17 will survive for five (5) years after the termination or expiration of this Agreement.
4. Upon termination or expiration of this Agreement, except as otherwise agreed in writing or otherwise stated in this Agreement, each party will, upon the request of the disclosing party, either: (i) return all of such Confidential Information of the disclosing party and all copies thereof in the receiving party's possession or control to the disclosing party; or (ii) destroy all Confidential Information and all copies thereof in the receiving party's possession or control. The receiving party will then, at the request of the disclosing party, certify in writing that no copies have been retained by the receiving party, its employees or agents.
5. In case a party receives legal process that demands or requires disclosure of the disclosing party's Confidential Information, such party will give prompt notice to the disclosing party, if legally permissible, to enable the disclosing party to challenge such demand.

#### 18. DATA PROTECTION

1. The parties agree that the Customer is the Data Controller and the Supplier is the Data Processor in respect of any Personal Data.
2. The Supplier will:
  - 18.2.1 take appropriate technical and organizational measures against unauthorized or unlawful processing of, and accidental loss or destruction of, or damage to, Personal Data, having regard to the state of technological development and the cost of implementing any measures, to ensure a level of security appropriate to the harm that might result from such unauthorized or unlawful processing, accidental loss, destruction or damage and the nature of the Personal Data;
  - 18.2.2 only process Personal Data in accordance with instructions from the Customer and the Customer shall not provide the Supplier access to sensitive personal information that imposes specific security data security obligations for the processing of such data.; and
  - 18.2.3 take reasonable steps to ensure the reliability of its employees who have access to the Personal Data.

#### 19. TERMINATION

1. If a party:

- a. commits a material breach of this Agreement which cannot be remedied; or
  - b. commits a material breach of this Agreement which can be remedied but fails to remedy that material breach within sixty (60) days of a written notice setting out the breach and requiring it to be remedied being given by the other party (or such longer period where agreed between the parties.
- the other party may terminate this Agreement immediately by giving not less than sixty (60) days' written notice to that effect to the party in breach. A breach can be remedied if the party in breach can comply with the relevant obligation in all respects other than as to time of performance unless time of performance of such obligation is of the essence. This clause 19.1 will not apply to any failure by the Customer to make any payment due to the Supplier under this Agreement on or before the due date. Clause 19.2 will apply instead to any such failure.
2. The Supplier may terminate this Agreement by giving not less than thirty (30) days' written notice to that effect to the Customer if the Customer fails to make any payment due to the Supplier under this Agreement within sixty (60) days after the relevant due date for payment.
  3. Either party may terminate this Agreement immediately by giving written notice to that effect to the other party if the other party becomes insolvent. Each party will notify the other party immediately upon becoming insolvent.
  4. If an application for an administration order, a notice of intention to appoint an administrator or a winding up petition is the only grounds for giving notice to terminate, that notice will be deemed to be ineffective if:
    1. in the event of an application for an administration order being made, that application is withdrawn or dismissed within ten (10) Business Days of being made;
    2. in the event of a notice of intention to appoint an administrator being filed, no administrator is appointed within ten (10) Business Days of the notice being filed; or
    3. in the event of a winding up petition being presented, that petition is withdrawn or dismissed prior to advertisement and within ten (10) Business Days of presentation.
  5. The Supplier's rights of termination set out in this Agreement are in addition to and not in substitution for any rights of termination which may exist at common law.
  6. Termination of this Agreement for any reason, shall not affect the accrued rights, remedies, obligations or liabilities of the parties existing at termination.

## 20. CONSEQUENCES OF TERMINATION

1. The termination of this Agreement howsoever arising is without prejudice to the rights, duties and liabilities of either party accrued prior to termination.
2. If the Supplier terminates or suspends the Service under this Agreement, Customer must pay within thirty (30) days all Service Fees and Professional Services Fees that have accrued prior to such termination or suspension, as well as any fees that remain unpaid for the Service up to date of termination or suspension plus related travel and expenses. If the Agreement is terminated by Customer for any reason other than a termination expressly permitted by the Agreement, Customer agrees that the Supplier shall be entitled to the Service Fees payable for the Service under the Agreement for the entire Initial Term or if terminated during an Extended Term, the Service Fees payable for the entire Extended Term, unless a provision to the contrary is stipulated in the Agreement.
8. The clauses in this Agreement which expressly or impliedly have effect after termination will continue to be enforceable notwithstanding termination.
9. The Customer shall not be entitled on or after the termination of this Agreement for any reason whatsoever to a rebate of any Service Fees paid in advance of their due date.
10. On termination of this Agreement howsoever arising the Customer will at the direction of the Supplier return to the Supplier any documents in its possession or control which contain or record any Confidential Information.

## 21. FORCE MAJEURE

1. Neither party to this Agreement will be deemed to be in breach of this Agreement or otherwise liable to the other party in any manner whatsoever for any failure or delay in performing its obligations under this Agreement due to Force Majeure, provided that it has complied and continues to comply with its obligations set out in clause 21.2. "Force Majeure" means in this Agreement catastrophic events of environmental and unforeseen nature. Examples defined as Force Majeure include, but are not limited to, hurricanes, tornados, earthquakes, and others of like unforeseen environmental impacts.
2. If a party's performance of its obligations under this Agreement is affected by Force Majeure:
  1. it will give written notice to the other party, specifying the nature and extent of the Force Majeure, within seven days of becoming aware of the Force Majeure and will at all times use all reasonable endeavors to bring the Force Majeure event to an end and, whilst the Force Majeure is continuing, to mitigate its severity, without being obliged to incur any expenditure;
  2. subject to the provisions of clause 21.3, the date for performance of such obligation will be deemed suspended only for a period equal to the delay caused by such event; and
  3. it will not be entitled to payment from the other party in respect of extra costs and expenses incurred by virtue of the Force Majeure.
3. If the Force Majeure in question continues for more than three (3) months a party may give written notice to the other to terminate this Agreement. The notice to terminate must specify the termination date, which must not be less than fifteen (15) days and once such notice has been validly given, this Agreement will terminate on that termination date.
4. If the Agreement is terminated in accordance with clause 21.3, then neither party will have any liability to the other except that rights and liabilities which accrued prior to such termination will continue to exist.

**22. EMPLOYEES NON-SOLICITATION**

1. Notwithstanding any degree of supervision exercised by either party over employees of the other, in no circumstances will the relationship of employer and employee be deemed to arise between either party and an employee of the other.
2. Unless this Agreement is earlier terminated by reason of the Supplier’s Insolvency (“Insolvency Event”) when no such restrictions shall apply, during the term of this Agreement and for a period of six months after its termination, Customer will not and will ensure that its Affiliates will not, directly or indirectly, without the prior written consent of the other, solicit, or permit any of its group companies to solicit or entice, the employment of any person who is employed by the other party or any of its group companies and whose role either wholly or partly relates to the provision of the Service or the performance of this Agreement. For the purposes of this clause 22, “solicit” or “entice” means the soliciting or enticing of such person with a view to engaging such person as an employee, director, subcontractor, consultant or independent contractor or through a company owned by such person or his or her family but will not apply in the case of any such person responding without enticement to a job advertisement which is capable of being responded to by members of the public (or sections thereof) generally.
3. In such circumstances where the Supplier suffers an Insolvency Event, nothing in this clause 22 will prohibit the Customer from soliciting or enticing or attempting to solicit or entice the employment of any of the key personnel for the duration of that Insolvency Event.

**23. ASSIGNMENT**

1. Either party may assign, novate or deal in any other manner with any of its rights and obligations under this Agreement.
2. Subject to the foregoing, this Agreement will be binding upon, and inure to the benefit of the parties and their respective successors and permitted assigns.

**24. NOTICES**

1. Notices will be in writing, in the English language, marked for the attention of the specified representative of the party to be given the notice or communication and:
  1. sent by pre-paid first-class post to that party’s address;
  2. sent by e-mail to that party’s e-mail address (with a copy sent by pre-paid to that party’s address within twenty-four (24) hours after sending the e-mail).

The address, e-mail address and representative for each party are set out below and may be changed by that party giving at least five (5) Business Days’ notice in accordance with this clause 24:

<p>██████████</p> <p>Attention of:</p>	<p style="text-align: center;"><b>EXAMPLE</b></p> <p>PrimeGov Finance Solutions Inc.          342 Perry Street          Harrisburg, PA 17101</p> <p>Attention of: PrimeGov Finance          billing@primegov.com</p>
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2. Any Notice given in accordance with 24.1 will be deemed to have been served:
  1. if given as set out in clause 24.1.1 at 9.00 am on the second Business Days after the date of posting; or
  2. if given as set out in clause 21.2.3, at the time of sending (except that if an automatic electronic notification is received by the sender within twenty-four (24) hours after sending the e-mail informing the sender that the e-mail has not been delivered to the recipient or that the recipient is out of the office, that e-mail will be deemed not to have been served).

**25. RELIANCE ON REPRESENTATIONS**

1. The Customer acknowledges that this Agreement has not been entered into wholly or partly in reliance on, nor has the Supplier given or made, any warranty, statement, promise or representation other than as expressly set out in this Agreement.
2. Nothing in this clause 25 will exclude any liability which one party would otherwise have to the other party in respect of any statements made fraudulently.

**26. SET-OFF OR WITHHOLDING**

All payments to be made by the Customer to the Supplier under this Agreement will (in the absence of express written agreement from the Supplier) be made in full without any set-off, restriction or condition and without any deduction or withholding for or on account of any counterclaim or any present or future taxes, levies, duties, charges, fees, deductions or withholdings of any nature unless the Customer is required by law to make any such deduction or withholding and Customer has given prior notification to Supplier of such legal obligations on the Customer’s part.

**27. ENFORCEMENT BY THIRD PARTIES**

The terms and conditions of this Agreement are for the sole benefit of the parties and nothing herein will be construed as giving any rights to any person or party not a party to it.

**28. INVALIDITY/SEVERABILITY**

If any clause or part of this Agreement is found by any court, tribunal, administrative body or authority of competent jurisdiction to be illegal, invalid or unenforceable then that provision will, to the extent required, be severed from this Agreement and will be ineffective



without, as far as is possible, modifying any other clause or part of this Agreement and this will not affect any other provisions of this Agreement which will remain in full force and effect.

**29. VARIATION**

This Agreement may only be varied or amended in writing and signed by the parties or their authorized representatives of each of the parties.

**30. WAIVER**

No failure or delay by the Supplier to exercise any right, power or remedy will operate as a waiver of it nor will any partial exercise preclude any further exercise of the same, or of some other right, power or remedy.

**31. DISPUTE RESOLUTION**

1. If a dispute arises out of or in connection with this Agreement or the performance, validity or enforceability of it (“Dispute”) then, except as expressly provided in this Agreement, the parties shall follow the dispute resolution procedure set out in this clause 31.
2. The parties will initially seek to resolve the Dispute through discussion and negotiation in good faith between the appropriate officers of the parties. If the Dispute is not resolved, through discussion and negotiation under this section, within thirty (30) days (or such alternative time period as may be agreed between the Parties), the following procedure will apply:-
  1. Any dispute relating to the terms, interpretation or performance of this Agreement (other than claims for preliminary injunctive relief or other pre-judgment remedies) will be resolved at the request of either party through binding arbitration. Arbitration will be conducted under the rules and procedures of the American Arbitration Association (“AAA”). The parties will request that AAA appoint a single arbitrator. Judgment on the arbitrator’s award may be entered in any court having jurisdiction. In the event any provision of this Agreement is held by a tribunal of competent jurisdiction to be contrary to the law, the remaining provisions of this Agreement will remain in full force and effect and an enforceable provision that most closely reflects the parties’ intent will be substituted for the unenforceable provision. The waiver of any breach or default of this Agreement will not constitute a waiver of any subsequent breach or default, and will not act to amend or negate the rights of the waiving party.

**32 GOVERNING LAW AND JURISDICTION**

- 32.1 The formation, existence, construction, performance, validity and all aspects whatsoever of this Agreement or of any term of this Agreement will be governed by the laws of the State of California.
- 32.2 The courts of California will have non-exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Agreement. The parties irrevocably agree to submit to that jurisdiction except that either party may seek injunctive relief in any court of competent jurisdiction.

**33 MERGER AND MODIFICATION**

This Agreement, including the attached documents, constitutes the entire agreement between the parties. There are no understandings, agreements, or representations, oral or written, not specified within this Agreement. This Agreement may not be modified, supplemented, or amended, in any manner, except by written agreement signed by both parties.

**34 INTERLOCAL AGREEMENT**

This Agreement may be extended for use by other municipalities and governmental agencies upon execution of an addendum or other signed writing setting forth all of the terms and conditions for such use, including the products and services and fees applicable thereto. Any such usage by other entities must be in accordance with the code, charter, and/or procurement rules and regulations of those respective governmental entities.

**35 NONDISCRIMINATION AND COMPLIANCE WITH LAWS**

Supplier agrees to comply with all applicable laws, rules, regulations, and policies, including those relating to nondiscrimination, accessibility, and civil rights. Supplier agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes and unemployment compensation and workers' compensation premiums. Supplier shall have and keep current at all times during the term of this Agreement all licenses and permits required by law.

**SIGNED BY** the parties on the date stated at the beginning of this Agreement.

**CUSTOMER NAME**

**PRIMEGOV**

.....  
Authorized Signature

.....  
Authorized Signature

.....  
Print Name/Title

**Sherif Agib/President**  
Print Name/Title



EXAMPLE

## SCHEDULE 1 – Support Services Contract

This Support Services Contract describes the expected performance of the PrimeGov Service, the procedures for reporting an issue, and expected turnaround time on issues reported.

1. **Service Uptime Target.** PrimeGov has a target uptime of >99.95% measured on a monthly basis. This time excludes any planned maintenance that have been identified to the Customer. PrimeGov shall give a minimum of two (2) business days’ notice for planned maintenance updates. Planned maintenance will be targeted to occur between 12:00 a.m. (midnight) to 03:00 a.m. Mountain Time on Friday. Update notes are published as part of the maintenance notification, highlighting new features, improvements, and bug fixes. Maintenance time frames are subject to change by PrimeGov, and proper notification is provided to the Customer within the minimum two (2) business day period.

2. **Reporting an Issue.**

a. **Contact Details.** At PrimeGov, we built our support system with alerts to anticipate any service disruption so that our Customer Success team can address any technical items before they become an issue for our customers. In the case where a Customer discovers an issue, or the Service is unavailable, the Customer should notify the PrimeGov Customer Success team through one of the following channels:

- i. Entering a ticket in the help desk system at [support.primegov.com](https://support.primegov.com).
- ii. E-mailing the Customer Success team directly at [support@primegov.com](mailto:support@primegov.com).
- iii. Calling the Customer Success team at 1-833-634-6349.

b. **Hours of Coverage.** Regular Support Services are provided between 8:00 am and 6:00 pm Mountain Time, Monday through Friday. On-call and emergency support are provided outside of regular Support Service hours online and by phone. More specifically, the hours are as follows:

- i. **Call for phone support.** Phone support is available twenty-four (24) hours a day, seven (7) days a week by calling 1-833-634-6349.
- ii. **Enter an issue in the help desk system.** This service is available twenty-four (24) hours a day, seven (7) days a week at [support.primegov.com](https://support.primegov.com).
- iii. **Email an issue to the Customer Success team.** This service is available twenty-four (24) hours a day, seven (7) days a week.

c. **Customer Priority Identification.** The Customer will supply their determined priority for each support item logged in accordance with the following Priority Code:

PRIORITY CODE	DESCRIPTION
P1 - Critical	The problem is impacting all Users by the Service being unavailable with no work-around available.
P2 - High	The problem is impacting a significant number of Users and is causing a significant business impact, where there is no work-around available.
P3 - Moderate	The problem is impacting a small number of Users and is causing a minor business impact or is causing a significant business impact, but there is a workaround available.
P4 - Low	Non-service affecting defect. Non-urgent or cosmetic problems, queries, causing inconvenience only.

3. **Resolving an Issue**

a. **Steps to Resolution.**

- i. PrimeGov Customer Success staff will analyze the issue and revert to the Customer with an assessment of the issue.
- ii. The issue will then result in one of the following actions:
  - 1. The PrimeGov Customer Success staff will send a set of steps to close the issue with associated times.
  - 2. PrimeGov Customer Success staff will ask for more clarification/ information on the issue.
  - 3. PrimeGov Customer Success staff may discuss the priority of the issue.
  - 4. The Customer and the PrimeGov Customer Success staff will mutually agree to close or reprioritize an issue.
- iii. If a support issue is closed because it has been successfully resolved, then PrimeGov Customer Success staff will provide a brief description of the final solution to the Customer.

b. **Target Response Time.** PrimeGov will aim to provide the Customer with a response within a specific time limit based on the agreed Priority Code of the Support Issue (a “**Target Response Time**”). The following Target Response Times are within the hours of coverage:

PRIORITY CODE	DESCRIPTION	TARGET RESPONSE TIME <
P1	Critical	30 minutes



P2	High	1 hour
P3	Moderate	2 hours
P4	Low	40 hours

4. **Problem Escalation.** A Support Call's Priority Code may be escalated by either the Customer or PrimeGov, if it is found to be more business critical than first realized or if the steps to resolve are proving unsatisfactory. In the event of escalation, the following contacts from PrimeGov should be called:

ROLE	NAME	CONTACT EMAIL
Technical Support Lead	Sydney Erickson	sydney.erickson@primegov.com
Technical Support Director	Larry Thorpe	larry.thorpe@primegov.com
President	Sherif Agib	sherif@primegov.com

5. **Minor Enhancements.** Requests by the Customer for minor enhancements or changes to the Service not relating to a defect or error inherent in the Service will be considered on a case-by-case basis and will be included under this Agreement at the sole discretion of PrimeGov if in the PrimeGov software product roadmap.

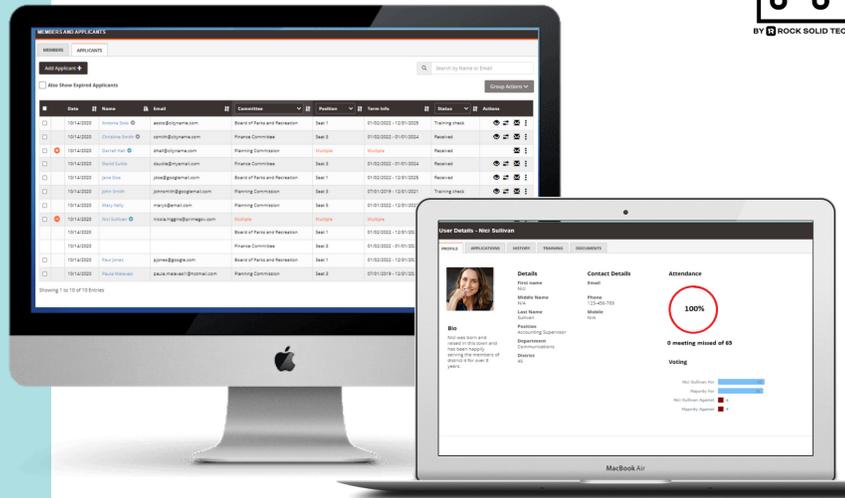
6. **Knowledge Base.** PrimeGov provides a searchable online knowledge base for questions and issue resolution is available at [support.primegov.com](http://support.primegov.com). The documentation provided includes product updates, technical assistance, and tutorials. The content is regularly updated and expanded and each article contains links to related articles for increased navigation. The knowledge base is available on the same website as the support ticket management system for ease-of-use.

7. **Exclusions**

- a. Requests by the Customer for significant enhancements or changes to the Service not relating to a defect or error inherent in the Service will be excluded from this Agreement and will be managed separately.
- b. PrimeGov is only obliged to provide the Support Services with respect to the then current version of the Service. If PrimeGov provides Support Services for older versions/releases, this is done without obligation on an "as-is" basis at PrimeGov's sole discretion and without any service level applying and PrimeGov may make the provision of further Support Services for older versions of the Service subject to the payment of additional fees.
- c. Any alteration, modification or maintenance of the Service by the Customer or any third party which has not been authorized in writing by PrimeGov.
- d. Any failure by the Customer to implement any recommendations, solutions to faults, problems or updates previously advised or delivered by PrimeGov to the Customer.
- e. Either Party being subject to Force Majeure.
- f. The Customer's failure, inability or refusal to allow PrimeGov's personnel proper and uninterrupted access to the Service.

## PrimeGov:

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single end-to-end cloud-based solution. With PrimeGov, you can seamlessly host hybrid meetings with remote voting capabilities, therefore, saving time, increasing efficiency, and promoting transparency with your constituents.



## Our Solution Helps You:



### Save Time

Save time by optimizing your agenda management processes with a single end-to-end solution.



### Enhance Accuracy

Our comprehensive workflow system ensures accuracy by reducing document review time.



### Increase Efficiency

Eliminate hours spent gathering, printing, and distributing meeting packages. Standardize and digitize your processes in a single, secure platform.



### Promote Transparency

Empower your constituents to access and consume all the meeting documents at any time at their discretion. Increase constituent involvement through virtual meetings and video streaming.



### Productive Collaboration

Increase productive collaboration with internal stakeholders by seamlessly working on agenda creation processes.



## Product Modules

### Agenda Automation

Manage agenda items from beginning to end and track them throughout the entire journey. Create agendas, packets and summaries with a single click.

### Meeting Management

Seamlessly manage your pre-meeting, during meeting, and post-meeting activities with a single interface.

### Committee Manager

An end-to-end solution tailored to save you time and end your dependency on spreadsheets for applicant tracking.

### Community Engagement

Connect the public and government through automatic website and social media updates during meetings.

### Video Streaming

Get citizens involved in the democratic process with live stream videos and on-demand recordings of public meetings and events.

## Single End-to-End Solution

### Pre-Meeting

- Customizable templates for your agenda documents
- Create and manage as many meeting types as you need
- Easily reschedule items and adjust your agenda
- Add and manage positions and terms of service for all members in all committees

### During Meeting

- Record motions, minutes, actions, and notes on an item
- Manage speaker list and timer
- Quick motion shortcuts and block voting capabilities to maximize meeting efficiency
- Allow elected officials to vote digitally for both in person and virtual meetings

### Post-Meeting

- Update meeting minutes and information immediately
- Generate comprehensive reports
- Full text search capability for item and supporting material
- Full 1080p HD responsive video capabilities. Multi-bit rate eliminates buffering



## Our Customers Love Us



"The PrimeGov program offered our city the best solution to automating our agenda management, committee management, and constituent ease of use. Internally, the program will save us vast amounts of time for staff in preparing agendas."

Jesse Guillen

Legislative Liaison, Santa Fe, NM

"We needed a product that our users embrace and find efficient, where they don't need to call IT for support" said John. "Your product nailed that. The way you guys built it, you guys knew how the clerks think...I felt that we had a light at the end of the tunnel when we found you, so I'm thankful we have found you."

John Lin

IT Manager, Ventura County

**Are you ready to optimize and digitize your agenda, meeting, and committee management processes? Take a closer look at PrimeGov**



**Email [sales@primegov.com](mailto:sales@primegov.com) to schedule a demo**

### About PrimeGov

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single end-to-end cloud-based solution. With PrimeGov, you can seamlessly host hybrid meetings with remote voting capabilities, therefore, saving time, increasing efficiency, and embracing transparency with your constituents.

# PrimeGov Integrations

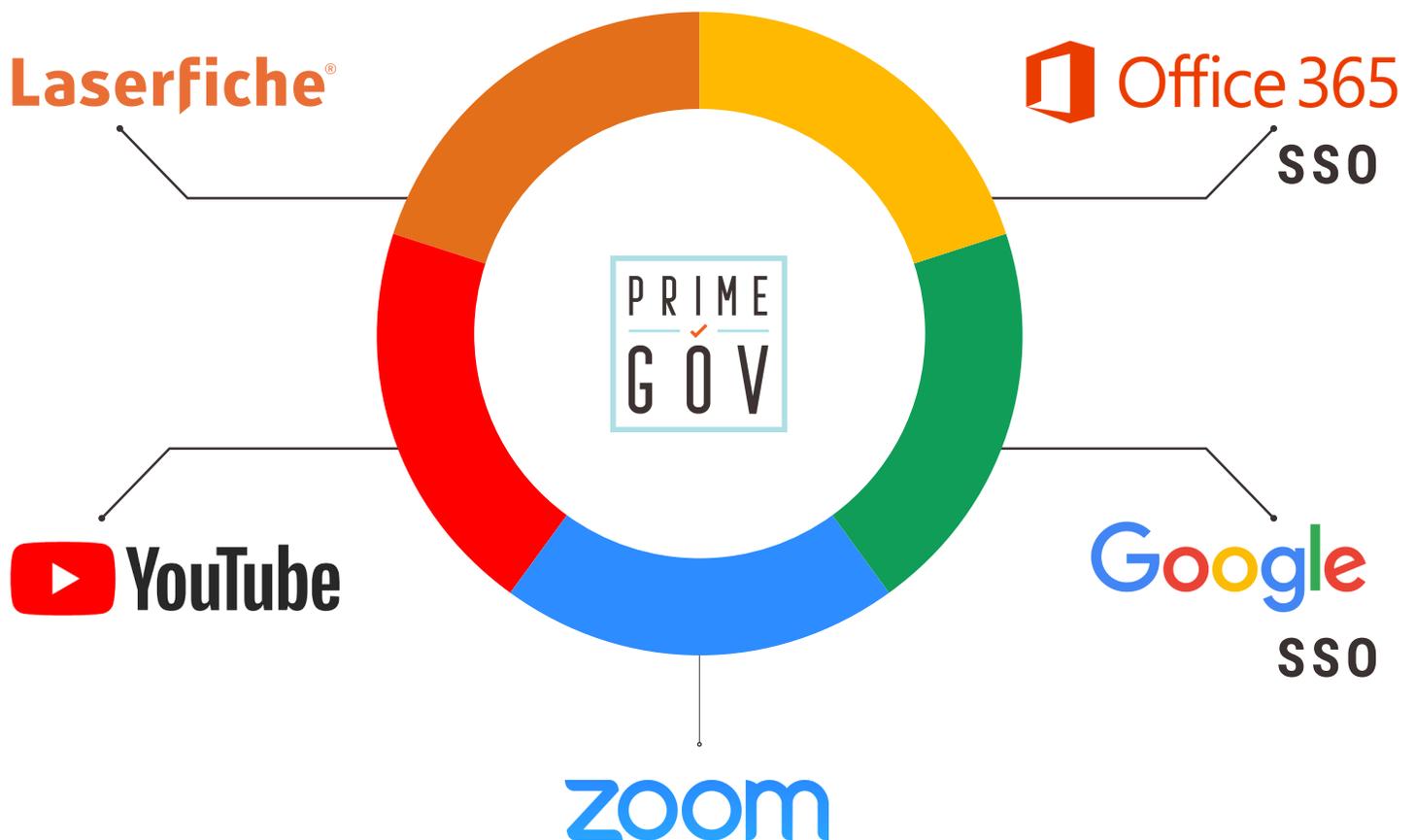
Laserfiche, Zoom, Microsoft Office365 SSO, Google SSO, and YouTube

## PrimeGov:

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single end-to-end cloud-based solution. With PrimeGov, clients can seamlessly host hybrid meetings with remote voting capabilities; therefore saving time, increasing efficiency, and promoting transparency.

We build our solution on widely used and supported web applications. Technology, particularly video, has improved dramatically over the last few years. Our role as a company isn't to reinvent the wheel but to adapt software to meet the specific needs of clerks.

We provide out-of-the-box Laserfiche, Zoom, Microsoft Office365 SSO, Google SSO, and YouTube integrations to pair our best-in-class solutions with our clients' existing systems.



# Laserfiche®

At PrimeGov, our customers' needs are our top priority. We have established a Laserfiche integration at the forefront to help our customers manage their documents and link with their existing software.

The PrimeGov integration with Laserfiche provides two primary features:

- Documents, and their related metadata, can be published to selected Laserfiche folders when pulled from PrimeGov.
- Laserfiche folders can be accessed to select files to upload when adding attachments to sections and items in PrimeGov.

Our solution removes the need for users to manually download files from one system to place in the other.

The mapping of metadata when publishing documents from the PrimeGov system into Laserfiche provides additional time savings and error reduction, ensuring data is accurate and present in all files.

*At PrimeGov we focus on the problem our clients are trying to solve, working with them to find the best possible solution. We are open to integrating with compatible providers of solutions that compliment our product, where we can work together to provide a service that helps our client get the job done.*

**Nicola Sullivan**  
VP Product Management | PrimeGov

# zoom

The world is moving to virtual and committee/board meetings are adjusting fast. At PrimeGov, we support and enable our customers to meet and to work with their users and constituents where they are: online.

We have integrated with Zoom, the popular video conferencing tool, to provide features that support virtual committee meetings. With Zoom integration, you can host virtual meetings, video conference, and:

- Live-stream video conferences directly to YouTube.
- Share meeting information with the public: items under discussion, a summary of vote results, streamed video, and more.
- Prompt members with vote options.

- Capture minutes, motions, and vote information in the PrimeGov application.
- Run and stream multiple meetings at the same time.

Our Zoom integration empowers local governments to get citizens seamlessly involved in the democratic process.



# YouTube

PrimeGov seamlessly integrates directly with YouTube to live-stream your meetings and retain all past meeting recordings. Once PrimeGov is connected to the client's YouTube channel, public meeting videos will be created and linked from PrimeGov automatically.

- Establish a direct connection to their YouTube channel.
- Automatically create videos from within PrimeGov, without the need to access YouTube.
- Control meeting settings including:
  - Privacy settings
  - Streaming options
  - Streaming resolution

- Add alternative video links from YouTube post-meeting.
- Live-stream YouTube videos and make them available post-meeting.
- Embed YouTube videos directly into our Public Portal, with direct links to indexed timestamps recorded on an item during the meeting.



## Office 365 and Google

### Single Sign-On (SSO)

Managing many passwords across multiple applications can turn into a maintenance nightmare and frustrate your users. PrimeGov has designed a single sign-on (SSO) to work with Microsoft Office365 and Google to simplify logging in and enhance security for our users.

- With SSO, PrimeGov clients can:
  - Manage user passwords in a single location: Office365 or Google.
  - Log in to PrimeGov with a single click, using saved Office365/Google passwords.
  - Reduce the issues with forgotten passwords for users.

**At PrimeGov, we take pride in our consultative approach towards product creation and enhancing the customer experience.**

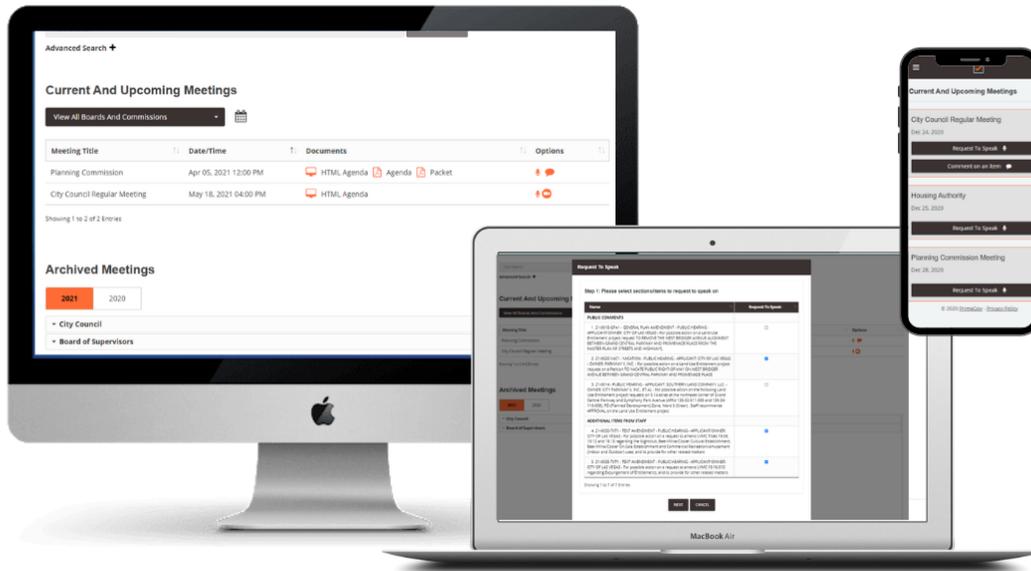


**If you have any questions, please email [sales@primegov.com](mailto:sales@primegov.com) and we will be glad to guide you.**

## About PrimeGov

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single end-to-end cloud-based solution. With PrimeGov, you can seamlessly host hybrid meetings with remote voting capabilities, therefore, saving time, increasing efficiency, and embracing transparency with your constituents.

# Keep Community Members Apprised of Public Meetings and Encourage Participation in the Process



Local governments have a significant—but underestimated—impact on the day-to-day lives of those who live, study, and work within their boundaries. Cities and counties must engage constituents in the legislative and decision-making process, yet it's challenging for officials to create a seamless experience for residents in the digital era and to remove barriers to involvement.

PrimeGov offers an out-of-the-box, holistic solution that empowers government officials to manage the front- and back-end of the engagement process and make it easier for government officials and constituents to communicate with each other

## Amplify Your Community's Participation



### Empower

Empower city officials with tools to facilitate engagement with constituents.



### Subscribe

Encourage community members to subscribe to meeting updates, video streaming, and public records.



### Engage

Engage constituents by encouraging and enabling them to speak and ask questions during meetings.

## Community Engagement Tools at Your Fingertips

### Request to Speak

- Allow constituents sign up to speak on meeting items quickly and easily.
- Individual items can be enabled for comment.
- Customizable submission form to capture the data that matters most to you.
- Speakers can be accessed and activated during the meeting.

### Submit Comments

- Allow constituents submit comments on meeting items quickly and easily.
- Attachment support option available to allow submission of supporting materials with comments Individual items can be enabled for comment.
- Customizable submission form to capture the data that matters most to you.

### Kiosk View

- Tablet-based kiosk view adds physical access to the solution.
- Allow constituents sign up to speak quickly and easily from within the meeting spaces.
- Options to view all upcoming meetings, meetings today, meetings for the next x days, or a single meeting only.

### Reports

- Onscreen reports containing relevant speaker and comment information.
- Filter to specific items to provide relevant reports.
- Export as PDF for sharing with members.

## Our solution helps you to:



### Amplify Community Participation

Designed to encourage and broaden community participation in the public meeting process.



### Seamless Communication

Facilitate two-way communication between elected officials and their constituents.



### Increase Subscribers

Allow individuals to subscribe to the updates that matter most to them.

If you are ready to amplify your community engagement, take a closer look at PrimeGov



### About PrimeGov

PrimeGov empowers local governments to optimize and digitize their agenda, meeting, and committee management processes with a single end-to-end cloud-based solution. With PrimeGov, you can seamlessly host hybrid meetings with remote voting capabilities, therefore, saving time, increasing efficiency, and embracing transparency with your constituents.

**Attachment E**  
**Vendor Risk Opinion Memo**

January 21, 2022

TO: Santos H. Kreimann  
Chief Executive Officer

Luis A. Lugo  
Deputy Chief Executive Officer

FROM: Bob Schlotfeld   
Interim Chief Information Security Officer

SUBJECT: Prime Government Solutions, Inc./ Rock Solid Technologies

LACERA has completed its due diligence and has preliminarily selected a vendor for the Agenda Management, Livestreaming, Recording, Archiving project. The project team has selected the Prime Government Solutions, Inc. (PrimeGov) application provided by Rock Solid Technologies. PrimeGov is a cloud hosted application, utilizing AWS (Amazon Web Services)

The goals and objectives of this project is to provide greater flexibility for the management of the Board and Committee meetings. Due to the broad impact of this type of implementation the Information Security Office has been requested to perform an assessment and provide a level of assurance regarding the chosen vendor.

The purpose of this memo is to provide a greater level of assurance to LACERA, its Executive Team and Trustee's regarding the firm selected for the applications and hosting. For the purposes of this review, we have extracted the appropriate RiskRecon report and have determined they have achieved satisfactory scores in the areas particular to this engagement. We have also engaged the vendor directly and they have provided the results of an independent assessment. The assessment was focused on the Rock Solid Technologies headquarters and remote offices. It included services provided by Rock Solid Technologies to the extent Rock Solid Technologies directed those services. PrimeGov is a SaaS (Software as a Service) application incorporating community management and engagement application; automate meeting agendas, meetings, and info into one application; meeting management and automation software.

Rock Solid Technologies engaged Pondurance, to conduct a National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF) risk assessment, and that included a focused review of the Rock Solid Technologies information systems environment. The purpose of this NIST CSF risk assessment and audit was for

Pondurance to assist Rock Solid Technologies in identifying a baseline of risk and maturity of the information security program at Rock Solid Technologies as it relates to the security best practices recommended by NIST.

In summary it was concluded that the Maturity level of 4 or 5 were achieved in all the essentially areas. Additionally, the NIST SP 800-53 controls for a moderate risk baselines are all implemented in the policies and procedures at Rock Solid Technologies.

Function	Function Description	Rating
<b>IDENTIFY</b>	Develop an understanding of the organization's systems, assets, data to manage risk.	4.63
<b>PROTECT</b>	Implement appropriate safeguards to ensure successful delivery of critical infrastructure services and provide cyber awareness training.	4.61
<b>DETECT</b>	Develops the appropriate activities to proactively and continuously monitor cyber events and identify or alert appropriate personnel.	4.72
<b>RESPOND</b>	Implements the appropriate activities and steps necessary to minimize corporate risk.	4.65
<b>RECOVER</b>	Activities required to maintain business continuity and restore capabilities or services.	5.00
<b>Average</b>		<b>4.66</b>

As the Interim Chief Information Security Officer, I attest that I have reviewed all the documentation provided. Based on the documents provided and the review of the process undertaken by the Information Systems Office, I believe the team has done an outstanding job performing its due diligence and selecting the right partner.

In general, from an Information Security viewpoint, the selection of Rock Solid's PrimeGov to provide Agenda Management, Livestreaming, Recording and Archiving hosting services for LACERA is a trustworthy business decision.

**FOR INFORMATION ONLY**

July 18, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert H. Griffin

FROM: Christina Logan   
Principal Internal Auditor

DATE: July 28, 2023

SUBJECT: **Organizational Governance Follow-Up**

**BACKGROUND**

In August 2022, Weaver & Tidwell, LLP (Weaver) presented their Assessment of Organizational Governance report (**Attachment A**) to the Audit Committee, which the Audit Committee accepted and filed.

Since this was LACERA's first organizational governance review, it was a high-level maturity assessment of the five key areas of organizational governance as defined by the Institute for Internal Auditors (IIA):

- Ethics and Values
- Risk Management
- Detection and Prevention of Fraud
- System of Internal Controls
- System of Compliance

The scope of the assessment was limited to understanding and validating the existence of the framework and procedures put in place by LACERA to inform, direct, manage and monitor the activities of the organization. While Weaver assessed the levels of maturity in each area of governance, their assessment was not designed to provide assurance on the effectiveness of the elements within each governance area.

Weaver identified nine areas with gaps between LACERA's current governance practices and the organization's target maturity levels. The target maturity is the level of organizational governance maturity to be achieved by the organization within a reasonable 18-24 month timeframe. The target maturity level was defined, at Weaver's request, by LACERA's Senior Executive Team, including Chief Executive Officer, Deputy Chief Executive Officer, Chief Counsel, and Chief Investment Officer.

Since these observations and related recommendations were more strategic in nature than operational, and require long-term planning, Internal Audit did not require quarterly updates on implementation plans. Instead, Internal Audit performed a more in-depth review on the status of these strategic recommendations in June 2023.

### **IN-DEPTH REVIEW**

In January 2023, when the Executive Office began to circulate the draft Strategic Plan, Internal Audit mapped the objectives in the Strategic Plan to the strategic recommendations from Weaver's Organizational Governance Review (see page 3). After the BOR approved the Strategic Plan at its July 2023 meeting, Internal Audit was able to document that Weaver's first recommendation, for LACERA to develop a strategic plan, had been implemented.

Internal Audit also verified the implementation of Weaver's second recommendation, for LACERA to improve its management of policies and procedures. During the Fiscal Year Ended June 30, 2023, a Policy Committee was established and a charter for the committee was developed. The committee includes voting members from the Executive Office, Legal, Human Resources, Systems, and Administrative Services, and a non-voting member from Internal Audit. The Policy Committee has made significant improvements to the consistency and management of LACERA's policies and procedures through the development of a committee charter, a published policy and templates.

The primary role of the Policy Committee is to review all newly developed and revised organizational policies. During the year, we observed that several policies were presented to the Policy Committee, and were reviewed, approved, and published through the new process. The committee's inclusive process helps ensure that a wide range of organizational perspectives are included in the development of policies, which has resulted in improvements in policy content, drafting, and review. Further, the Policy Committee is currently in the process of selecting a vendor to provide an information management solution, which will greatly benefit the organization in providing for a centralized repository for policies and procedures.

We have mapped the remaining seven open Weaver recommendations to specific objectives in the Strategic Plan. Internal Audit will continue to follow-up on these recommendations and report annually on their progress to the Audit Committee. It is important to note that the Weaver report and subsequent follow-up efforts have introduced the new concept of "organizational maturity" as an explicit part of management's vocabulary and analysis in discussions about strategic planning, compliance, and overall governance topics, thereby elevating and enhancing those discussions.

Noted and Reviewed:



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Richard P. Bendall  
Chief Audit Executive

CL

C: Santos H. Kreimann  
Luis A. Lugo  
Steven Rice

**Mapping of LACERA’s Strategic Plan Priorities to Weaver’s Organizational Governance Recommendations**

<b>LACERA’s Strategic Priorities</b>	<b>Weaver Observation</b>	<b>Weaver Recommendation</b>
<p><b>1. Superior Member Experience</b>                      Innovate and continuously improve the member experience.</p>	<p>#7 - LACERA does not have a communication plan.</p>	<p>LACERA should finalize the existing draft Communication Plan for the organization. Staff should be trained on the implemented Communication Plan and style and format guidelines.</p>
<p><b>2. Innovation through Technology</b>                      Leverage technological solutions to advance capabilities, increase productivity, and elevate operational maturity.</p>		
<p><b>3. Investing in People</b>                      Attract, motivate, hire, and retain a highly engaged and skilled workforce.</p>	<p>#3 - LACERA has not implemented a professional development plan.</p>	<p>LACERA executive leadership should engage in a facilitated analysis of employees across the organization and identify specific development needs of employee classifications and functional groups.</p>
	<p>#4 - LACERA does not have a succession plan.</p>	<p>LACERA should implement a succession planning process to ensure that the organization can maintain a workforce that collectively possesses the core competencies and skills needed to accomplish its strategic objectives.</p>
	<p>#5 – The LACERA CEO job description and the responsibilities of the Board Committees overlap/conflict.</p>	<p>The BOR's Committee Charters and the CEO job description should be reviewed and updated to reflect the appropriate responsibilities of each. The Charters should include oversight responsibilities while the CEO job description should include responsibilities for carrying out the Board directives and management of the organization.</p>

<p><b>4. Compliance and Enterprise Risk Management</b>                  Adopt and implement compliance and enterprise risk frameworks aimed at facilitating strengthened governance around risk management and compliance.</p>	<p>#6 - LACERA does not have a formal enterprise fraud prevention and detection program.</p>	<p>LACERA should implement a formal fraud prevention and detection program that includes a policy separate from the Ethics Policy, consistent training for staff including how to report suspected fraud, and a process to incorporate what is learned from the fraud reporting into the organization's policies.</p>
	<p>#9 - LACERA does not have a formal enterprise risk management and compliance program.</p>	<p>LACERA should implement a formal enterprise risk management and compliance program for the organization that includes identification of risks and how to address those risks. The risk information should be used by the organization to make decisions. The program should also include an inventory of all program requirements and a plan to monitor compliance with those requirements. Reporting mechanisms should be implemented for risk management and compliance.</p>
<p><b>5. Fiscal Durability</b>                  Exercise care and prudence in managing our resources and fund assets.</p>	<p>#8 - LACERA lacks defined Key Performance Indicators (KPI).</p>	<p>LACERA should develop and implement key performance indicators (KPI's) for any divisions that have not yet defined them. The KPI's should be quantifiable and be linked to the goals of the organization as established in the Strategic Plan. In addition, reporting mechanisms should be established for the reporting of the KPI's so that the data can be used to inform decision making.</p>



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## Report on Organizational Governance Assessment

Los Angeles County Employees Retirement Association | June 2022

Efficient

# Table of Contents

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3. Engagement Results	12
4. Observations	22
5. Appendix 1 – List of Interviewees	31
6. Appendix 2 – List of Documents Reviewed	32

# Executive Summary

Organizational governance supports and encourages the growth and development of a strategically focused, risk aware and operationally effective organization. Management establishes the tone at the top regarding the importance of internal controls, including expected standards of conduct, and then reinforces expectations at the various levels of the organization. Organizational governance provides an oversight role and enables the entity to manage and mitigate risks.

As part of LACERA's 2022 internal audit plan, Weaver was engaged to assess at a high level LACERA's maturity in key organizational governance areas including:

- Ethics and value
- Risk management
- Detection and prevention of fraud
- System of internal controls
- System of compliance

The assessment resulted in nine observations where there existed a gap between LACERA's current governance practices and the target maturity level for the organization. The target maturity is the level of organizational governance maturity to be achieved by the organization within a reasonable 18-24 month timeframe. The target maturity level was defined by the Executive Team including the Chief Executive Officer, the Deputy Chief Executive Officer, the General Counsel and the Chief Investment Officer and was based on based on the attributes of LACERA and the goals of LACERA management.

The observations in the report are not deficiency findings, but rather areas identified for improvement to achieve the target maturity level of governance for the organization.

# Executive Summary (continued)

The scope of the assessment was limited to understanding and validating the existence of the framework and procedures put in place by LACERA to inform, direct, manage and monitor the activities of the organization. The assessment was not designed to provide assurance over the organizational governance area and did not include an evaluation of the effectiveness of those elements for the organization.

Weaver developed and customized the Organizational Governance Maturity Model against which the organization's maturity was evaluated. The maturity model is based upon Weaver internal methodology, IIA Standards and Best Practice, and governance considerations specific to LACERA. The customized model was developed in collaboration with LACERA Executive Leadership and Internal Audit.

The maturity model breaks down the five key governance elements and measures them on a five-level scale in accordance with industry and government best practice. The five governance elements include a total of 176 attributes that were used to measure the organizational governance maturity level at LACERA. The maturity model is designed as an integrated model where the attributes work together for each governance element.

Weaver conducted an extensive document review covering LACERA policies and procedures, charters, communications, and operating plans, among other documents. Weaver interviewed LACERA Executive staff and key personnel charged with the implementation of reviewed policies and procedures. Weaver also conducted a staff survey regarding organizational governance and analyzed the results.

# Executive Summary (continued)

The high-level assessment of LACERA's organizational governance identified gaps between the current maturity levels observed and the targeted maturity levels desired in each of the five elements reviewed. The organization shows relative strength in Structure and Accountability. The least mature governance element is Assessment and Risk Management.

While LACERA executes its primary mission effectively, the organization does not have a current strategic plan and is not a metric-driven organization (with some divisional exceptions).

The Investment Division operates at a higher maturity level than LACERA as an organization, particularly concerning Communication and Reporting (including KPI development) and Assessment and Risk Management.

LACERA has an established training budget but does not have an adequate professional development program, lacking an assessment of employee needs and leadership training. There is no organizational succession plan and employee evaluation is not aligned with strategic objectives. Furthermore, LACERA has not implemented a comprehensive enterprise risk assessment and compliance framework, nor a comprehensive enterprise fraud detection and prevention plan.

The assessment determined that LACERA has undertaken several initiatives with the potential to strengthen organizational governance maturity. Detailed results of the assessment are documented in the report that follows.



# Consulting Objective, Scope and Methodology

## Objective

- ▶ The objective of the project was to assess at a high-level LACERA's maturity in key organizational governance areas including:
  - Ethics and values
  - Risk management
  - Detection and prevention of fraud
  - System of internal controls
  - System of compliance

## Scope

- ▶ The assessment was limited to understanding and validating the existence of the following related to each organizational governance area:
  - The design, structure, and implementation
  - The communication and training
  - The existence of key policies
  - The use of systems and information to create efficiencies
- ▶ The assessment was not designed to provide assurance over the organizational governance area and was performed under IIA consulting standards, not auditing standards
- ▶ The assessment was limited to understanding and validating the existence of key elements of organizational governance and did not include evaluation of the effectiveness of those elements for the organization
- ▶ Review period December 1, 2020 through February 28, 2022

## Methodology

- ▶ Developed a customized Organizational Governance Maturity Model
- ▶ Interviewed key LACERA management\*
- ▶ Reviewed LACERA procedures / documents\*
- ▶ Conducted a staff survey regarding organizational governance and analyzed results
- ▶ Assessed the current state of maturity of LACERA's organizational governance

# Building the LACERA Organizational Governance Maturity Model

“**Governance** is the **processes** and **structures** implemented by the board to **inform, direct, manage, and monitor** the organization’s activities toward achieving its objectives. Strong governance systems **increase the likelihood that organizations will meet their objectives and stakeholder expectations.**” - IIA

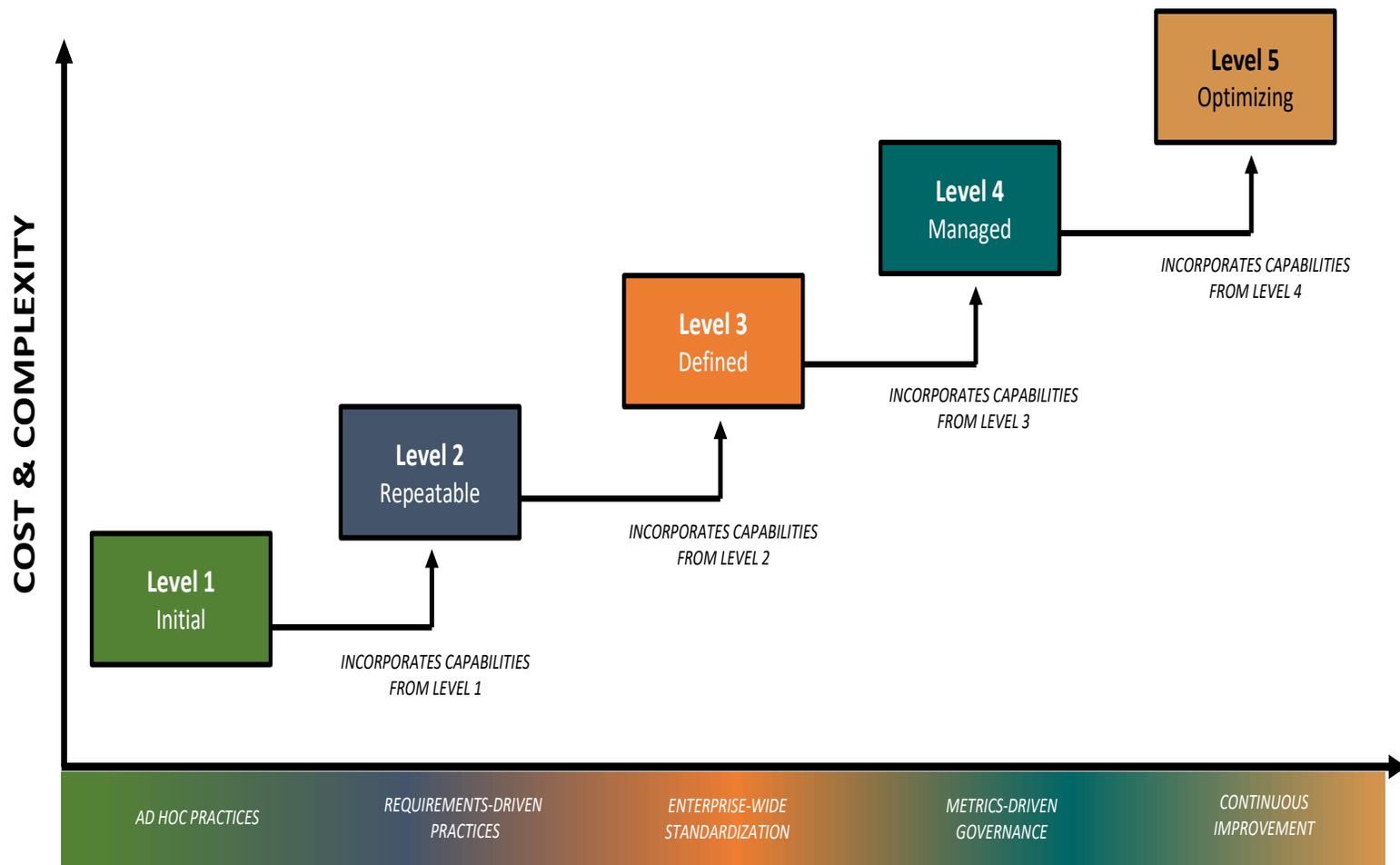
The Weaver engagement team designed a customized LACERA maturity model informed by:

- ▶ Weaver Internal Methodology
- ▶ IIA Standards and Best Practices
- ▶ Governance Considerations Specific to LACERA
- ▶ Collaboration with LACERA Executive Leadership and Internal Audit



# Governance Maturity Model Scale

This maturity model scale shows the advancing levels of maturity for the organization. Each level of maturity includes a cost and complexity component as well as more advanced business practices for the organization.



# Governance Maturity Model Elements and Attributes

The maturity model includes an advancing maturity scale for each of the 5 governance elements as seen across the top of this chart.

Attributes for each governance element measure the degree of maturity for that element. There are a total of 27 attribute categories.

AD HOC PRACTICES	REQUIREMENTS-DRIVEN PRACTICES	ENTERPRISE-WIDE STANDARDIZATION	METRICS-DRIVEN GOVERNANCE	CONTINUOUS IMPROVEMENT
INITIAL Informal and undefined	REPEATABLE Disciplined by intuitive	DEFINED Standard and consistent	MANAGED Predictable, monitored, measured	OPTIMIZING Continuous improvement
Governance Element				Attribute Categories (27 total)
<b>Oversight, Strategy, Policies and Procedures</b> -Are Board roles explicitly defined through charters and committees? -How consistently and effectively does the Board provide oversight? -What are the strategy, goals, objectives, policies, and procedures for supporting LACERA's mission? -Is the strategy communicated, documented, and aligned?				Board Oversight Board Roles and Committees Mission Strategy Objectives Goals Policies and Procedures
<b>Structure and Accountability</b> -How effective is the structure of the organization for achieving objectives, managing programs, hiring, training and staff development, evaluating performance, and succession planning? -Does a clear distinction between Board and Executive Management responsibilities exist? -Are roles and responsibilities across the organization defined with adequate staffing?				Structure Delegation of Authority Internal Controls Segregation of Duties Succession Planning Systems and Data Training
<b>Ethical Values and Fraud Prevention</b> -Is there an ethics policy in place that includes fraud prevention and detection? -How are ethical standards communicated throughout LACERA? -Are ethics requirements enforced and followed by employees?				Ethics Policy Related Parties and Conflicts of Interest Fraud Detection and Prevention Reporting Hotline
<b>Communication and Reporting</b> -What are types of communication used by LACERA for Board reporting, internal reporting, staff meetings, dashboards and public information? -What are the key performance measures to monitor achievement of the mission?				Communication internal and external Board Reporting Reporting internal and external Key Performance Indicators Performance Measures Monitoring and Reporting against Performance
<b>Assessment and Risk Management</b> -What processes are in place to monitor LACERA's progress for meeting stated objectives, performance metrics risk management, and compliance?				Risk Management Risk Assessment Compliance

# Governance Maturity Model

The current state of LACERA organizational governance was assessed against the customized integrated maturity model.

For each of the five governance elements, we evaluated varying number of attributes at each maturity level as depicted in the graphics below. We reviewed a total of 176 attributes related to organizational governance.

## 1. Oversight, Strategy, Policies and Procedures



## 2. Structure and Accountability



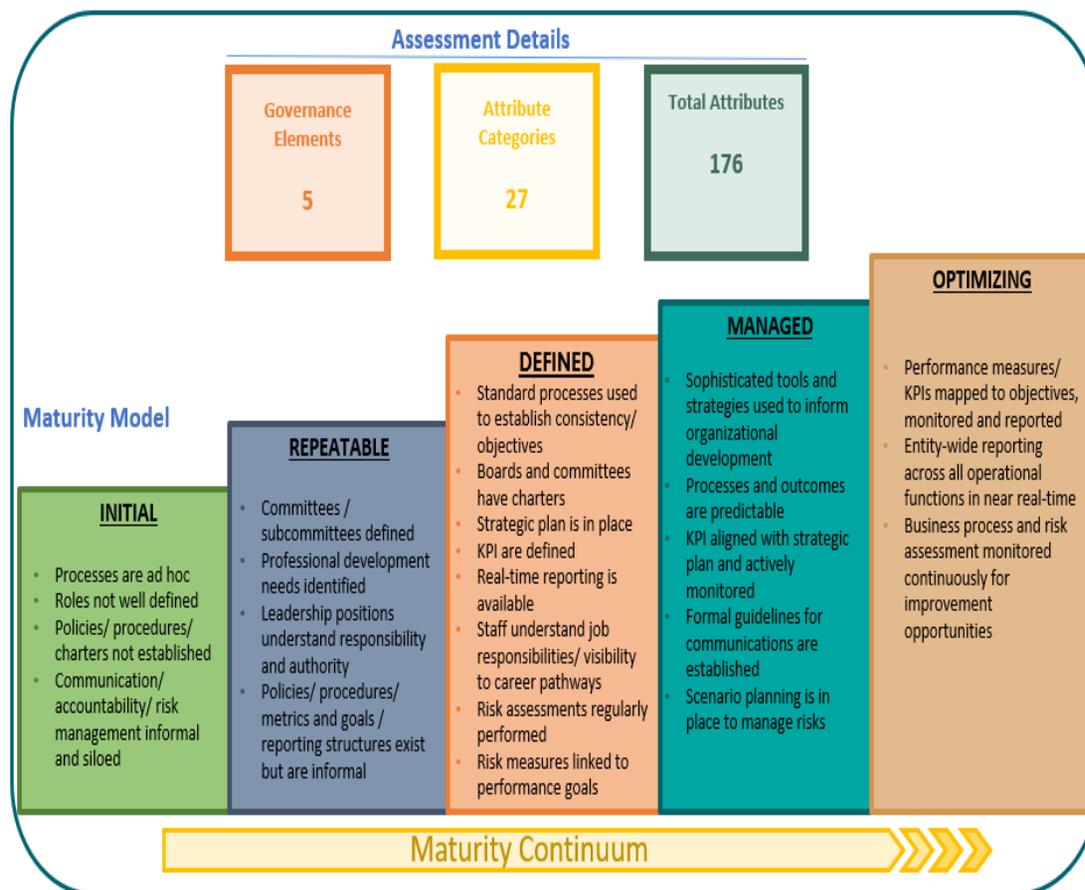
## 3. Ethical Values and Fraud Prevention



## 4. Communication and Reporting



## 5. Assessment and Risk Management



# Understanding the Engagement Results

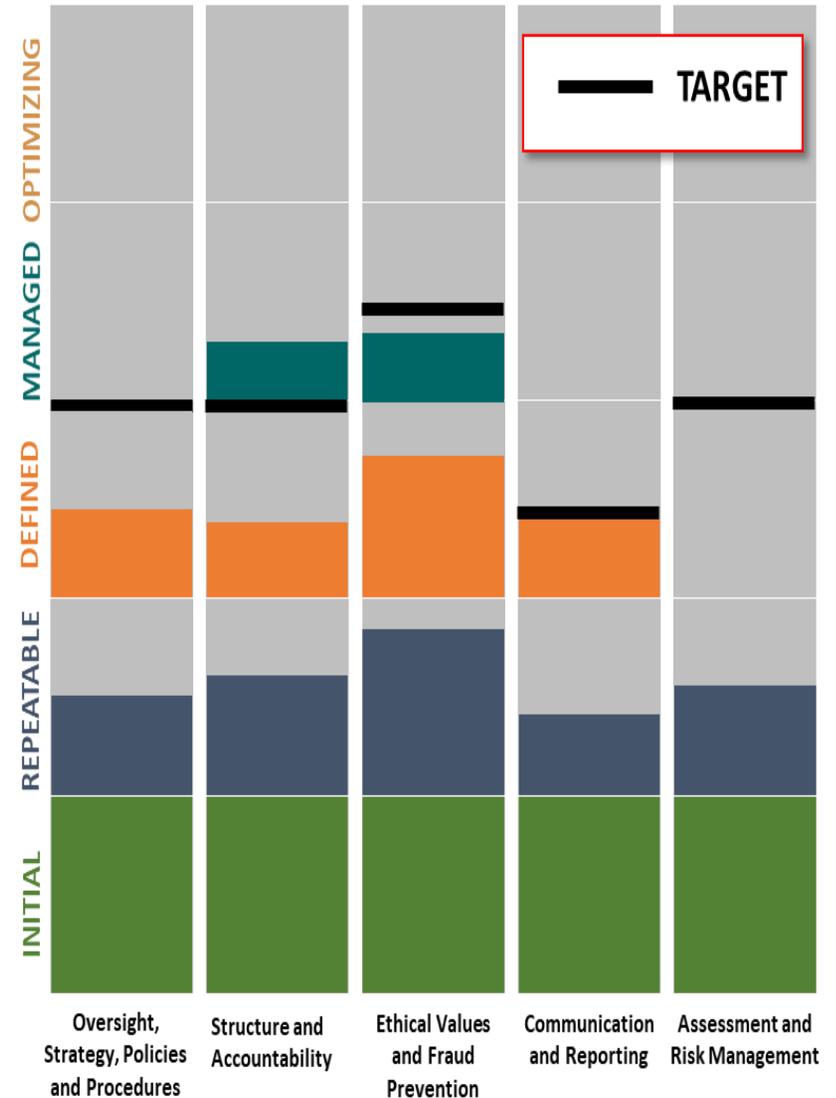
Interviews were held with the Executive Team to identify the targeted maturity level: the level of organizational governance maturity to be achieved by the organization within a reasonable 18-24 month timeframe for each of the five governance elements. The targeted maturity level is represented by the black line on the graph.

The Maturity Assessment illustrates LACERA's current achieved maturity across the five governance elements.

The colored bars represent our assessment of the achievement within each level of maturity.

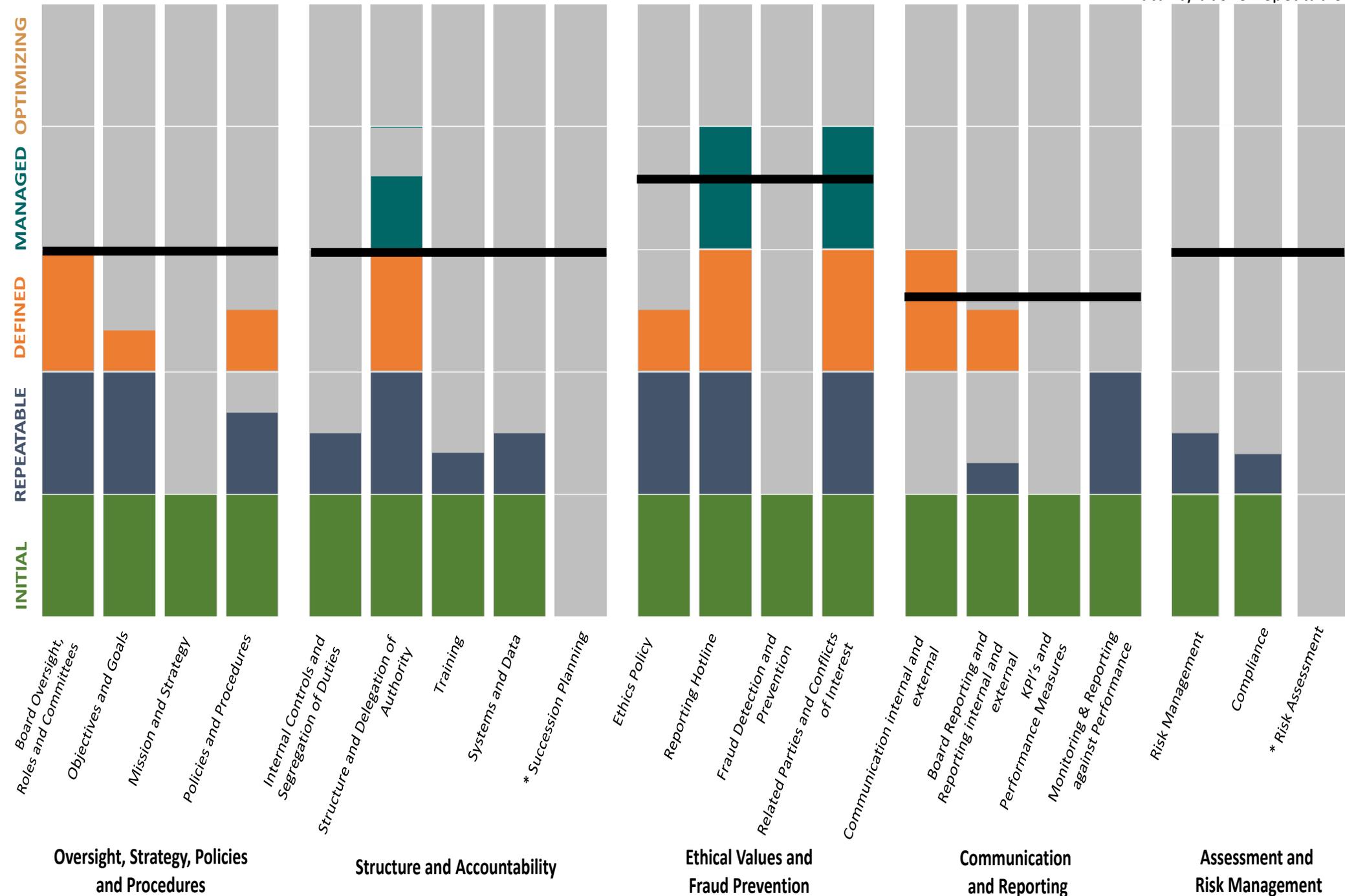
Note that an organization can exhibit certain attributes of a higher level of maturity than they have achieved overall (e.g.: LACERA exhibits attributes of Defined maturity in the Oversight, Strategy, Policies, and Procedures element even though the organization falls somewhere between the Initial and Repeatable maturity level).

LACERA Maturity Assessment – Summary



# LACERA Maturity Assessment - Detailed

**TARGET**  
 \* Attribute applicable to maturity above Repeatable



# Engagement Results and Summary

LACERA executive management established reasonable maturity goals for the short to mid-term (18-24 months).

The organization shows relative strength in **Structure and Accountability**. The least mature governance element is **Assessment and Risk Management**.

The following observations were noted during the assessment:

- LACERA executes its primary mission effectively.
- LACERA does not have a current strategic plan and is not a metric-driven organization (with some divisional exceptions).
- LACERA has an established training budget but does not have an adequate professional development program, lacking an assessment of employee needs and leadership training. There is no organizational succession plan and employee evaluation is not aligned with strategic objectives.
- LACERA has not implemented a comprehensive enterprise risk assessment and compliance framework, nor a comprehensive fraud detection and prevention plan.

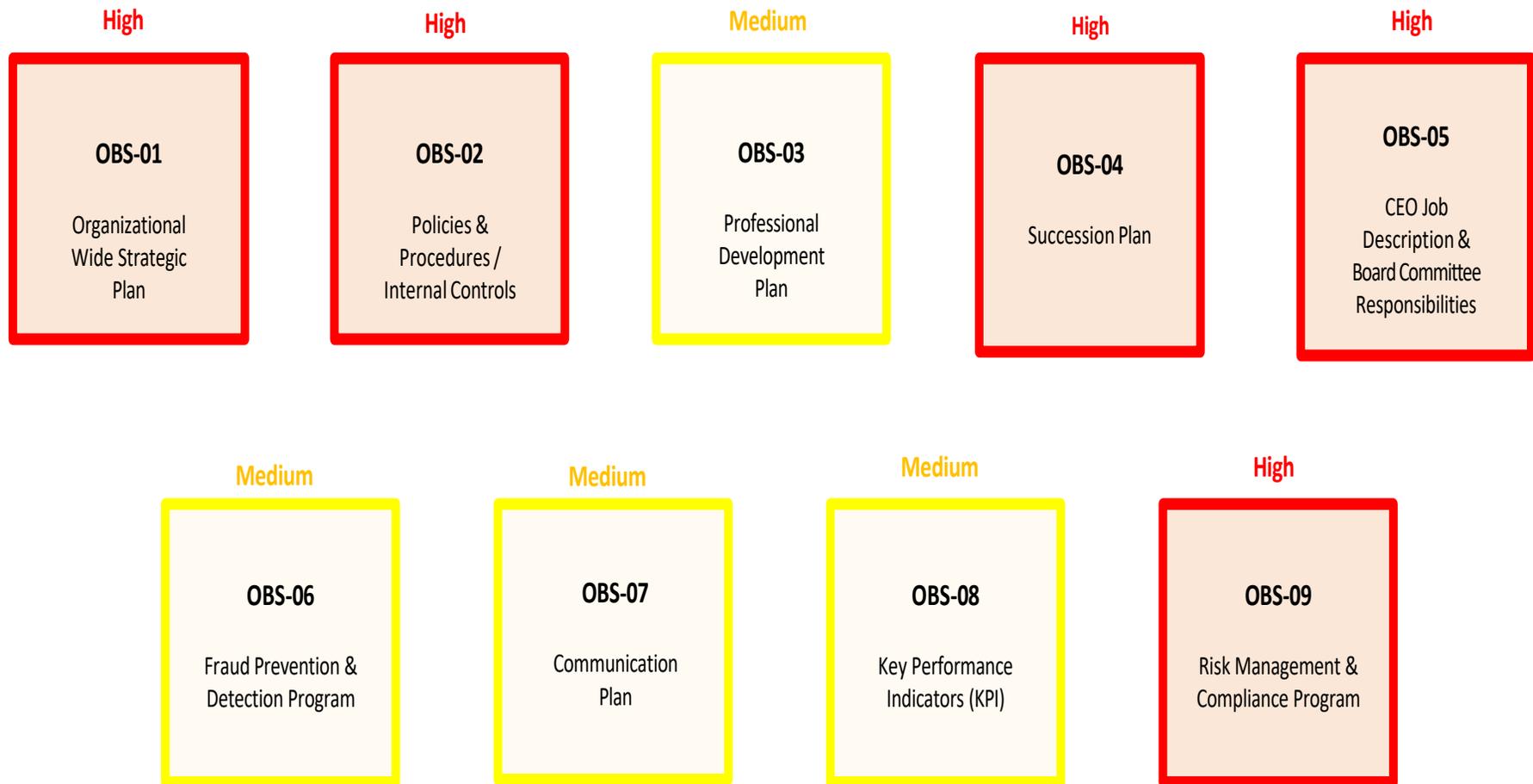
# LACERA Initiatives

LACERA has undertaken several initiatives with the potential to mitigate gaps in organizational governance maturity:

- Strategic Plan (in progress)
- Policies and Procedures Council (implemented)
- Compliance Director position (in progress)
- Information Technology Communications Council (implemented)
- Case Management System (in progress)
- Communications Plan (in progress)
- Employee Handbook Update (in progress)
- *Work Plan and Strategic Initiatives* for Investments (implemented)
- Professional Development (in progress)

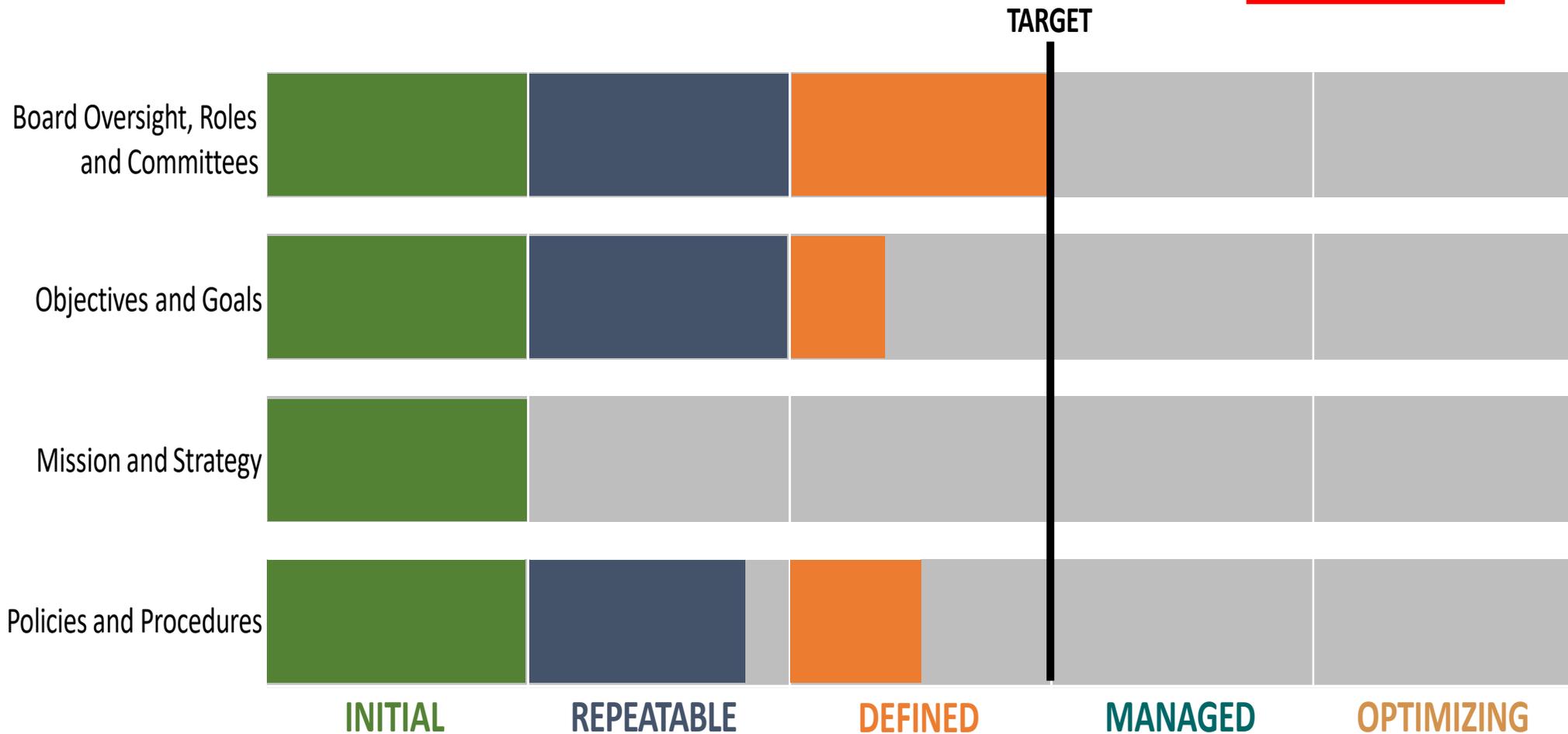
# Nine Engagement Observations

The assessment resulted in nine observations where there existed a gap between LACERA's current governance practices and the target maturity level for the organization. Below is a summary of the nine observations that are detailed on pages 22-30. The applicable gaps are noted in the maturity charts for each of the five elements.



# Oversight, Strategy, Policies and Procedures

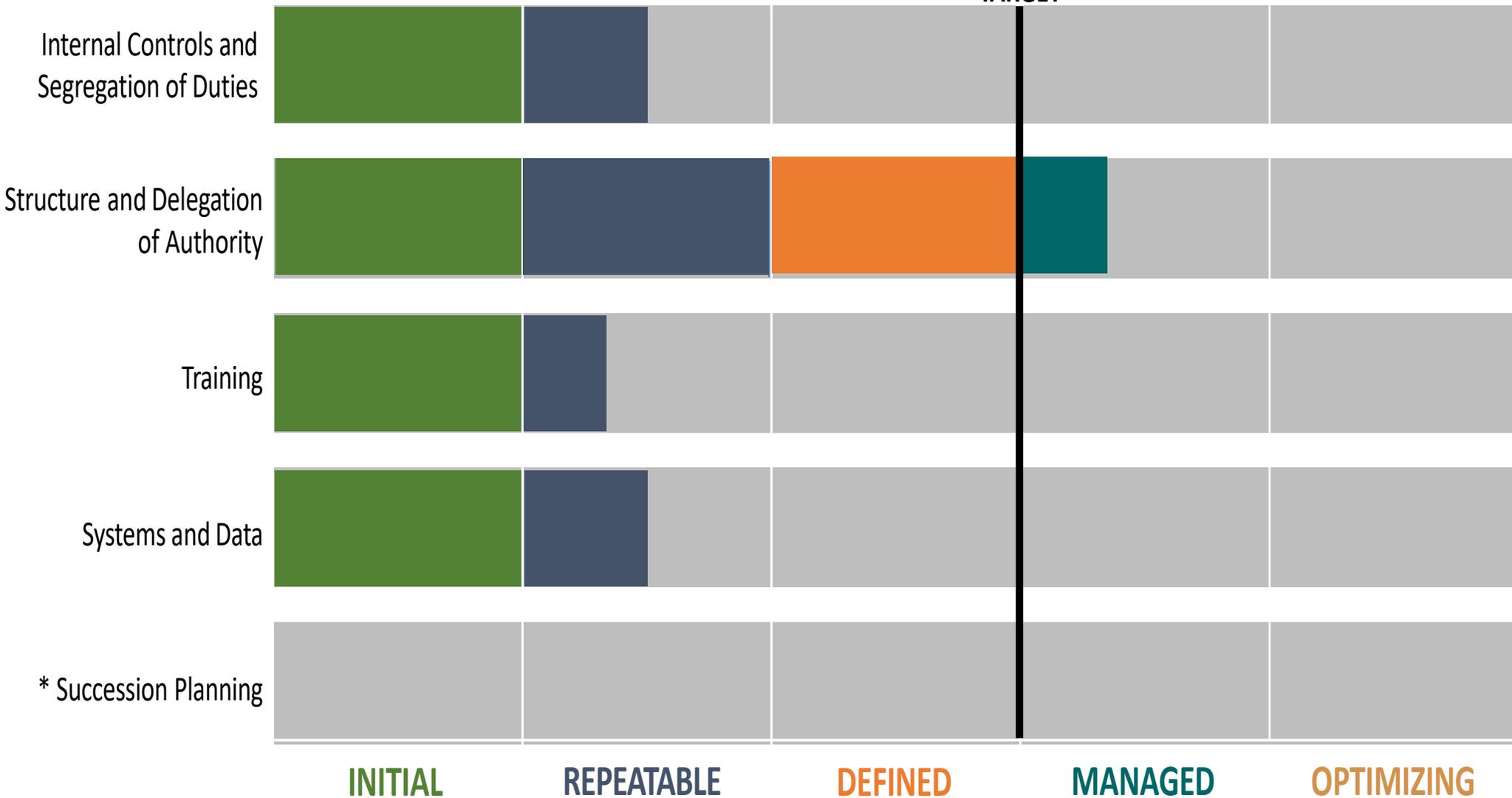
OBS-01 Organizational Wide Strategic Plan	OBS-02 Policies & Procedures / Internal Controls
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# Structure and Accountability

OBS-02 Policies & Procedures / Internal Controls	OBS-03 Professional Development Plan	OBS-04 Succession Plan	OBS-05 CEO Job Description & Board Committee Responsibilities
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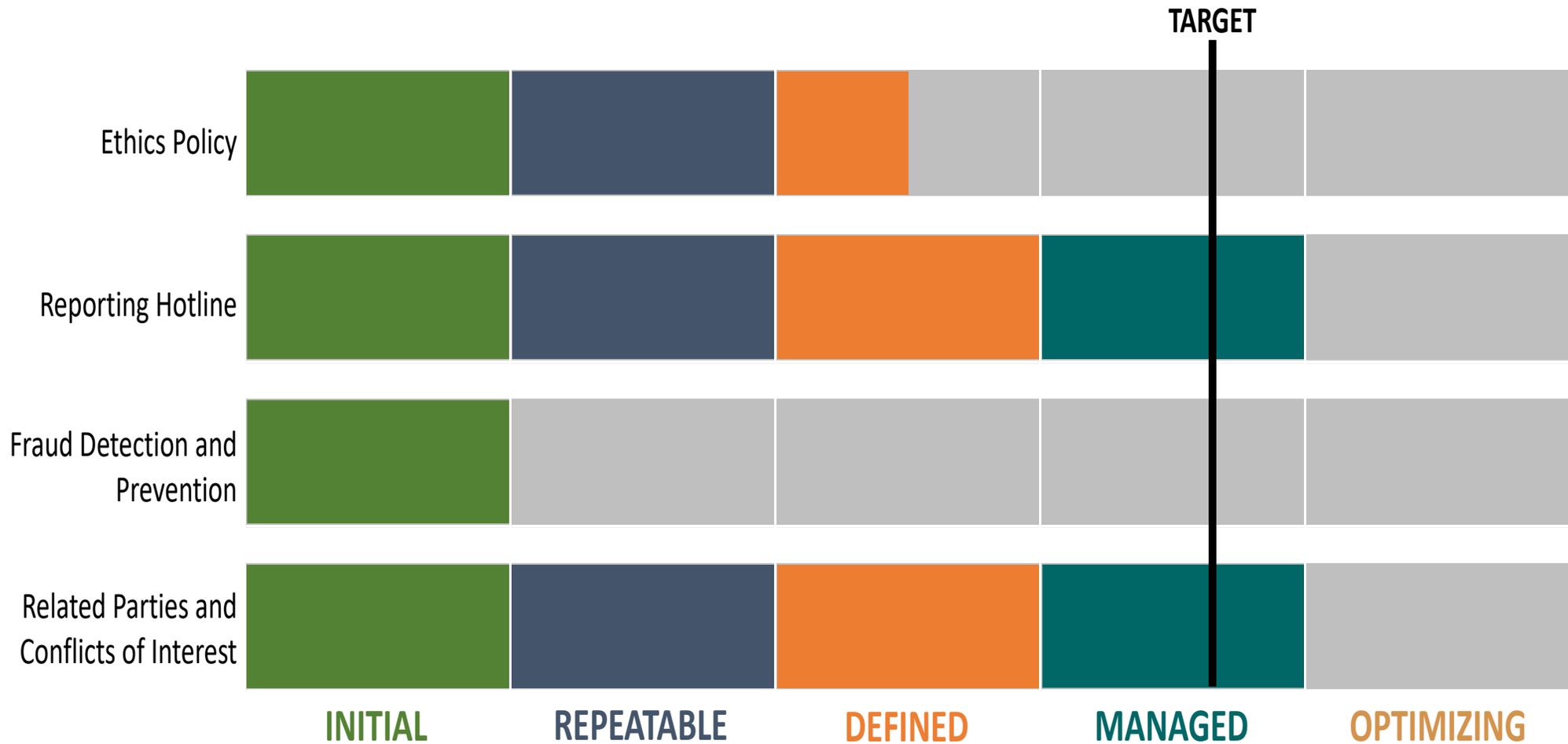
TARGET



\* Attribute applicable to maturity above Repeatable

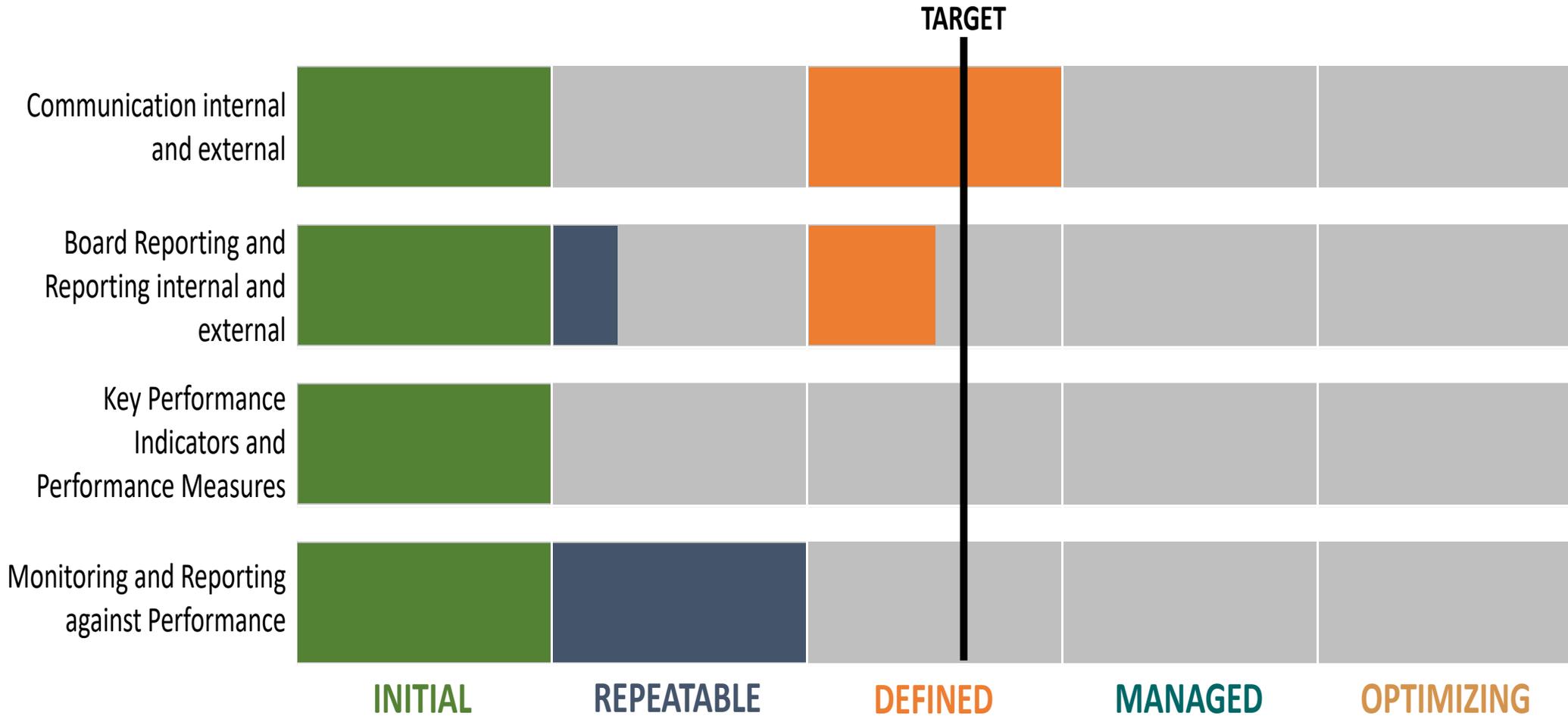
# Ethical Values and Fraud Prevention

OBS-06  
Fraud Prevention  
& Detection  
Program

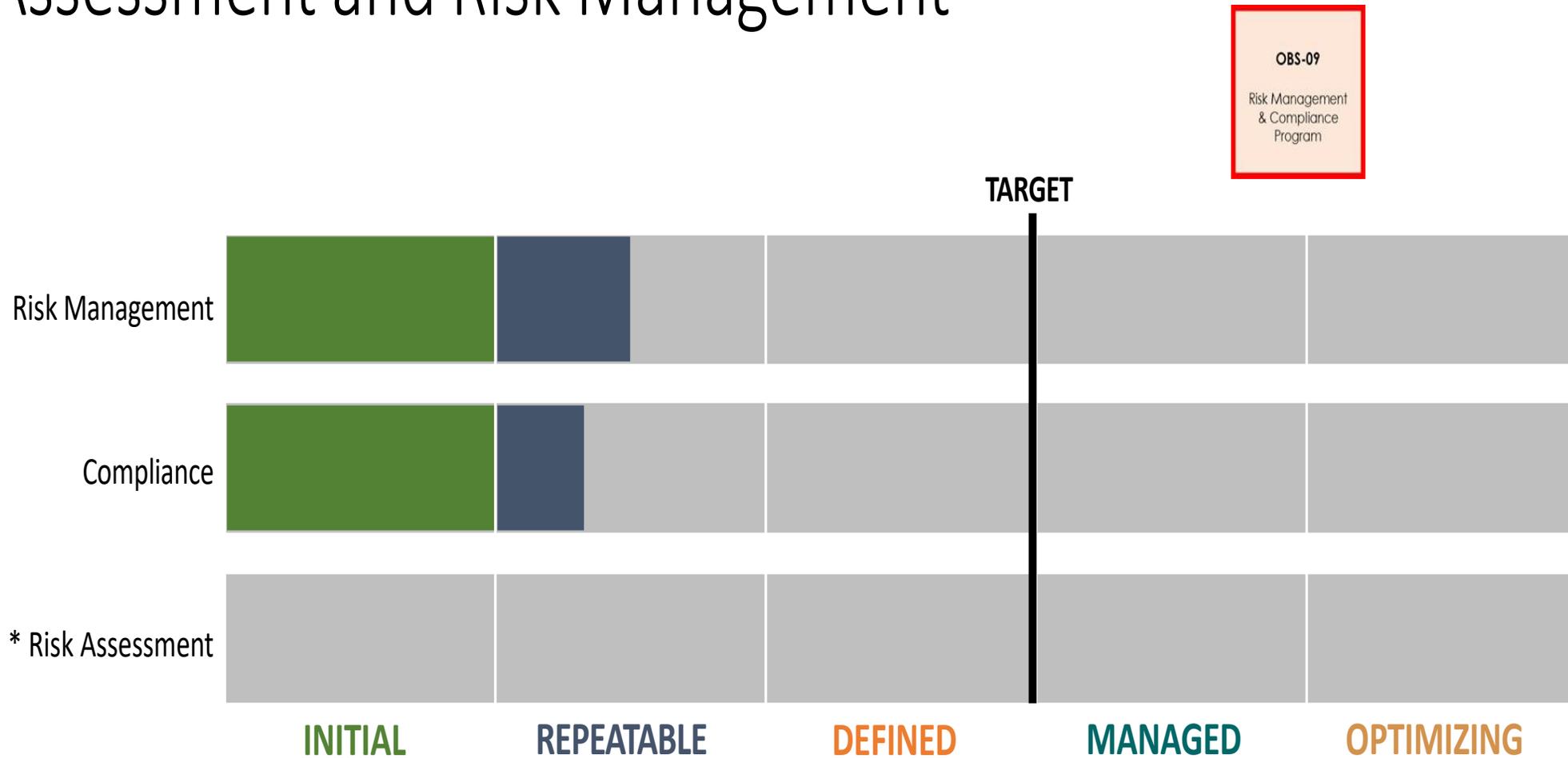


# Communication and Reporting

OBS-07 Communication Plan	OBS-08 Key Performance Indicators (KPI)
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# Assessment and Risk Management



\* Attribute applicable to maturity above Repeatable

# Observations

**OBS-01**  
 Organizational  
 Wide Strategic  
 Plan

Ref #	Observation	Risk Exposure	Recommendation	Weaver Insights into Maturity
<b>Oversight, Strategy, Policies and Procedures</b>				
<b>Obs - 01</b>	<p><b>LACERA does not have an organizational wide strategic plan</b>            LACERA does not have a strategic plan for retirement, member services and operations that aligns the goals and objectives of the organization with actionable plans and outcomes. LACERA initiated a strategic planning process in April 2022, which will include input from Board members and staff throughout the organization.</p> <p>A Work Plan and Strategic Initiatives for the Investments Division was approved by the Board of Investments on January 12, 2022 including an Investment Division Purpose that aligns with the requirements of the Investment Division Policy.</p>	<p>Without alignment of goals and objectives with actionable and measurable outcomes, the organization increases the risk that their goals and objectives will not be achieved. Specifically, the organizational wide strategic plan must be in concert and alignment with the investment division strategic plan.</p>	<p>LACERA should continue efforts to develop a strategic plan for the organization. Once the strategic plan is in place, LACERA should ensure that the Work Plan and Strategic Initiatives for the Investments Division aligns with the organizational wide strategic plan. The strategic plan should include the following elements:</p> <ul style="list-style-type: none"> <li>• Clearly defined measurable outcomes that define what constitutes success in each strategic objective and align with applicable performance measures of the contributing process owners</li> <li>• Factors that influence the near and long-term outcomes related to strategic objectives that define how internal and external factors impact progress towards goals and objectives</li> <li>• Identification of key stakeholders from various departments across the organization that are involved in achieving the desired outcomes</li> <li>• A framework to assess achievement and monitor progress, including performance information that can be assessed and categorized for each objective and outcome to determine if sufficient progress is being made and to identify gaps in strategic efforts (see Obs-08)</li> </ul>	<p>The faithful implementation of the strategic plan as envisioned by executive management would progress the organization to <u>Defined</u> maturity in the Mission and Strategy and the Objectives and Goals attributes of Oversight, Strategy, Policies and Procedures (and partially meet <u>Managed</u> maturity for Objectives and Goals)</p>

# Observations

**OBS-02**  
Policies & Procedures / Internal Controls

Ref #	Observation	Risk Exposure	Recommendation	Weaver Insights into Maturity
<b>Structure and Accountability</b>				
<b>Obs - 02</b>	<p><b>LACERA does not review and revise policies and procedures or internal controls in an effective manner</b></p> <p>There is no defined schedule for updating LACERA policies and procedures. Divisions have varying time frames for when they review their policies and procedures. That leads to policies and procedures being reviewed in an ad-hoc manner. There are also quality deficits: not all policies and procedures are thorough, deliberative, nor effectively implemented. Internal controls are not documented and reviewed regularly.</p> <p>The Executive Office recently established a Policies and Procedures Council to provide an enterprise-wide governance structure for policy management to ensure policies are up-to-date, standardize policy template and writing standards, develop a routine for new policy reviews, and establish policy review cycles for existing policies.</p>	<p>Without regular review and update of policies and procedures, staff may not operate with the current and correct guidance. Processes may not be performed correctly if the procedures have not been updated. Furthermore, it is difficult to know if controls are operating as intended if they are not documented.</p>	<p>LACERA should, at a minimum, establish a schedule for reviewing and updating all policies and procedures. In addition, internal controls should also be documented within the procedures and reviewed on a regular schedule and updated as necessary. LACERA should also find an automated solution to maintain policies and procedures.</p> <p>The Policies and Procedures Council should focus not only on timely reviews, but also on quality control, ensuring thoroughness, ease of implementation, and effective communication with staff.</p>	<p>Establishing a review schedule for policies and procedures would ensure <u>Defined</u> maturity for the organization for the Policies and Procedures attribute for Oversight, Strategy, Policies and Procedures. However, more qualitative actions would be required to progress beyond defined maturity for either policies and procedures or internal controls, including aligning procedures to govern business processes, creating an internal controls framework, and improving documentation and training for internal controls.</p>

# Observations

OBS-03  
Professional Development Plan

Ref #	Observation	Risk Exposure	Recommendation	Weaver Insights into Maturity
<b>Structure and Accountability</b>				
Obs - 03	<p><b>LACERA has not implemented a professional development plan</b> A professional development and training plan for the organization does not exist. A training budget is in place and various training is offered to staff, but there is no formal professional development plan that identifies and aligns what training should be provided for staff in order to advance their skills and prepare them for growth within the organization. Additionally, professional development needs for individual employees to enhance their skills have not been incorporated into the system used for employee performance evaluations.</p>	<p>The lack of a strategic approach to professional development, increases organizational risk that the skills of the staff may not be sufficient for their current job responsibilities or respond to the growing needs of the organization.</p>	<p>LACERA executive leadership should engage in a facilitated analysis of employees across the organization and identify specific development needs of employee classifications and functional groups. That analysis should include:</p> <ul style="list-style-type: none"> <li>• A needs and gap assessment of skills development required for critical organization functions</li> <li>• An assessment of the current training budget and how it is being spent</li> <li>• Input from employees on desired offerings, including technology training and "digital upskilling"</li> <li>• An inventory of competencies required of employees by supervisors across functions, including risk and internal control awareness and management competencies</li> <li>• A plan for integrating individual professional development needs into the performance evaluation system</li> </ul> <p>In the longer term, LACERA should pay specific attention to high performing employees, and engage employees who are emerging leaders in initiatives and achievement of key objectives, providing cross-training opportunities to ensure the employee receives a well-rounded understanding of interrelated processes and key resources of the organization.</p>	<p>Identifying professional development needs and developing policies and procedures addressing professional development are fundamental to the Training attribute; the organization cannot progress beyond <u>Repeatable</u> maturity in Structure and Accountability without such actions.</p> <p>A comprehensive professional development plan will take time to implement. Properly identified and aligned skills training contributes to success across all aspects of any organization. The eventual integration of individual development needs and performance evaluation pushes LACERA toward <u>Defined</u> maturity in Structure and Accountability and improves the effectiveness of the organization to respond to attributes <i>beyond training</i>, including Succession Planning, Objectives and Goals, Compliance, and Risk Management.</p>

# Observations

OBS-04  
Succession Plan

Ref #	Observation	Risk Exposure	Recommendation	Weaver Insights into Maturity
<b>Structure and Accountability</b>				
Obs - 04	<p><b>LACERA does not have a succession plan</b> No organization wide succession plan for critical functions exists at LACERA. Some divisions have identified staff for succession but no formal plan has been put in place, including identifying core competencies and any professional development needed to enhance skills of those in line for succession.</p>	<p>The organization may be unprepared to fill vacancies in critical functions without a succession plan, causing the organization to be reactive to circumstances, increasing the risk of a skills deficit in critical positions that could lead to a possible disruption of services.</p>	<p>LACERA should implement a succession planning process to ensure that the organization can maintain a workforce that collectively possesses the core competencies and skills needed to accomplish its strategic objectives. Effective succession planning focuses on current and future needs and develops a pool of high-potential personnel to meet the organization’s long-term mission. The succession plan should include a framework for:</p> <ul style="list-style-type: none"> <li>• Identification of critical positions of leadership in the organization and executive resource needs, including an analysis of core competencies for leadership success,</li> <li>• Evaluation of the current state of talent, including existing executive competence against what is needed to strengthen executive performance for success at LACERA, and</li> <li>• Aligning identified talent to LACERA’s needs, including reviewing the potential leadership readiness for increased challenges or capacity.</li> </ul>	<p>Succession planning is a specific attribute of a mature organization. LACERA cannot progress past <u>Defined</u> maturity in Structure and Accountability without a succession plan that at least covers executive positions. In the long term, effective succession planning depends upon developing systems for identifying, developing and providing opportunities for high potential employees. This activity should be paired with effective professional development and performance evaluation.</p>

# Observations

**OBS-05**  
CEO Job Description & Board Committee Responsibilities

Ref #	Observation	Risk Exposure	Recommendation	Weaver Insights into Maturity
<b>Structure and Accountability</b>				
Obs - 05	<p><b>The LACERA CEO job description and the responsibilities of the Board Committees overlap/conflict</b></p> <p>There is overlap in the Chief Executive Officer's (CEO) duties as listed in the CEO job description and the responsibilities of the BOR's Committees as listed in the Committee Charters.</p>	<p>Overlapping responsibilities can lead to a lack of segregation of duties as well as confusion as to who is responsible for key processes within the organization. This is a poor governance practice that increases organizational risk to the implementation of executive initiatives and the general management of the organization.</p>	<p>The BOR's Committee Charters and the Chief Executive Officer's (CEO) job description should be reviewed and updated to reflect the appropriate responsibilities of each. The Charters should include oversight responsibilities while the CEO job description should include responsibilities for carrying out the Board directives and management of the organization.</p>	<p>This recommendation is fundamental to proper governance: establishing clear lines of responsibility between a governing board and an executive director.</p>

# Observations

OBS-06  
Fraud Prevention & Detection Program

Ref #	Observation	Risk Exposure	Recommendation	Weaver Insights into Maturity
<b>Ethical Values</b>				
Obs - 06	<p><b>LACERA does not have a formal enterprise fraud prevention and detection program</b></p> <p>While an Ethics Policy is in place that addresses fraud and the fraud reporting hotline, there is no formal program in place to prevent and detect fraud. The information obtained from the fraud reporting hotline is reported to the Audit Committee but there is not a process for incorporating what is learned into the organization's policies. Furthermore, there is no consistent training on fraud prevention and detection throughout the organization.</p>	<p>The organization increases its risk exposure to fraud without a formal program or training for staff to understand how to prevent, detect and report fraud.</p>	<p>LACERA should implement a formal fraud prevention and detection program that includes a policy separate from the Ethics Policy, consistent training for staff including how to report suspected fraud, and a process to incorporate what is learned from the fraud reporting into the organization's policies.</p>	<p>The Fraud Detection and Prevention attribute does not meet <u>Repeatable</u> maturity for the organization, lacking both consistent effort and policy.</p> <p>The Ethics Policy attribute exhibits some characteristics of <u>Defined</u> maturity and the agency has a well -established Reporting Hotline. Across the Ethical Values element, LACERA falls short with regard to not only implementation, but regular review and revision and communication to employees; consistency of application, training, and fraud detection processes and reporting are all necessary to achieve <u>Managed</u> maturity.</p>

# Observations

OBS-07  
Communication  
Plan

Ref #	Observation	Risk Exposure	Recommendation	Weaver Insights into Maturity
<b>Communication and Reporting</b>				
Obs - 07	<p><b>LACERA does not have a communication plan</b> A communication plan for the organization that establishes reporting timelines and format, including standards for communicating with employees and stakeholders has not been implemented. LACERA has drafted a Communication Plan for executive review. In addition, there is no style guide in place to be used with the communication plan to address style and format of standard communications.</p>	<p>The organization risks missed reporting deadlines or inconsistent communications or reporting.</p>	<p>LACERA should finalize the existing draft Communication Plan for the organization. In addition, guidelines for style and format of reporting should be developed to ensure consistency. Staff should be trained on the implemented Communication Plan and style and format guidelines.</p>	<p>Similar to strategic planning (Obs-01), the implementation of a communication plan would progress LACERA to <u>Repeatable</u> maturity in Communication and Reporting by fulfilling attributes of internal and external Communication and Board Reporting.</p>

# Observations

OBS-08  
Key Performance Indicators (KPI)

Ref #	Observation	Risk Exposure	Recommendation	Weaver Insights into Maturity
<b>Communication and Reporting</b>				
Obs - 08	<p><b>LACERA lacks defined Key Performance Indicators (KPI)</b> While some divisions have either developed or drafted key performance indicators (KPI's), they have not been defined for all divisions. Member Benefits and Investments divisions have defined KPI's. The rest of the divisions have either drafted KPI's that have not been approved or have not developed them.</p>	<p>The organization risks an inability or inadequacy to measure success at meeting its goals and objectives or identifying areas needing improvement.</p>	<p>LACERA should develop and implement key performance indicators (KPI's) for any divisions that have not yet defined them. The KPI's should be quantifiable and be linked to the goals of the organization as established in the Strategic Plan (see Obs-01). In addition, reporting mechanisms should be established for the reporting of the KPI's so that the data can be used to inform decision making.</p>	<p>The identification and development of KPIs across operational areas--ideally within the context of the strategic planning effort (Obs-01)--would result in <u>Repeatable</u> maturity for the organization.</p>

# Observations

OBS-09  
Risk Management & Compliance Program

Ref #	Observation	Risk Exposure	Recommendation	Weaver Insights into Maturity
Assessment and Risk Management				
Obs - 09	<p><b>LACERA does not have a formal enterprise risk management and compliance program</b> A formal enterprise risk management and compliance program does not currently exist at LACERA. The Investments Division has a compliance program to address risks within the portfolios and reports regularly to the Board of Investments. The organization has plans to hire a Compliance Manager in the next six months. A risk assessment of the organization is currently performed annually only by Internal Audit for the purpose of developing the Internal Audit Plan.</p>	<p>Risk management and compliance programs are fundamental mitigators to risk exposure organization-wide.</p>	<p>LACERA should implement a formal enterprise risk management and compliance program for the organization that includes identification of risks and how to address those risks. The risk information should be used by the organization to make decisions. The program should also include an inventory of all program requirements and a plan to monitor compliance with those requirements. Reporting mechanisms should be implemented for risk management and compliance.</p>	<p>LACERA should address gaps in Risk Management and Compliance attributes to achieve--at a minimum--<u>Repeatable</u> maturity in the near term (prior to the hiring of a Compliance Manager). These gaps include defining high level risk management policies and using data and systems to monitor compliance.</p>

# Appendix 1 – List of Interviewees

- Santos Kreimann, Chief Executive Officer
- Jonathan Grabel, Chief Investment Officer
- Luis Lugo, Deputy Chief Executive Officer
- Steven Rice, General Counsel, Legal Services
- Laura Guglielmo, Assistant Executive Officer
- JJ Popowich, Assistant Executive Officer
- Bernardo Buenaflor, Chief, Quality Assurance & Metrics
- Kathy Delino, Information Systems Manager
- Cynthia Martinez, Chief, Communications
- Carly Ntoya, Director, Human Resources

# Appendix 2 – List of Documents Reviewed

- 100 Day Report
- Investment Policy Statement OPEB Master Trust
- Investment Policy Statement
- LACERA Employee Handbook for Non-Represented
- LACERA Employee Handbook for Union Represented
- FY 21-22 LACERA Budget
- Board Charters and Bylaws
- Board Approved and Internal Policies List
- 2022-23 CEO Report
- KPI / MOG Metrics
- Insurance Procedures
- Employee Engagement Survey Results
- Contract Compliance Procedures
- Purchasing Policy
- Procurement Policy for Investment-Related Services
- Process Flowcharts
- Staff Travel Policy Directive
- Board Confidential Information Policy
- Board Correspondence Policy
- Board Lounge Policy
- Disability Committee Memo
- Board Training Policy
- Securities Litigation Policy
- CIO Reporting Evaluation Policy
- Change of Board Meeting Schedule Policy
- BOI Closed Session Policy
- Hearing Officer Compensation
- BOI Standing Committee Charter
- Corporate Governance Principles
- BOR Education Policy
- BOI Education Policy
- Ex Parte Communications

# Appendix 2 - List of Documents Reviewed (continued)

- Fiduciary Counsel Policy
- Incident Response Team Charter
- Joint Board Meeting Policy
- Legislative Policy
- 2022 Work Plan and Strategic Initiatives Investments Division
- Performance Evaluation Guidelines for Represented Employees
- Career Development Program
- Training Opportunity Program - TOP
- LA County Code 6.127.040
- BOI Powers Reserved and Delegated Authorities
- New Hire Checklists
- IT Coordination Council Charter
- Tuition Reimbursement Policy
- DPC Privacy Policy
- Ethics Hotline Policy
- HIPAA Privacy and Security Rule Policies fro the RHC Program
- Records and Information Management Policy
- Insurance Procedures
- SEAF User Manual
- Executive Management Job Descriptions
- Control Questionnaires
- Policies and Procedures Council
- Staff Education Travel Policy
- Board Confidential Information Protection Policy
- Service Provider Policy Payment Memo
- Securities and Litigations Policy

# Appendix 2 - List of Documents Reviewed (continued)

- Policy on Policies, Procedures, and Charters
- Code of Ethical Conduct
- Ethics Hotline Overview
- FPPC Conflict of Interests Desk Procedures
- LACERA COI for THC
- Ethics Hotline Overview Memo
- Conflict of Interest Code
- FY 2021-2022 LACERA Budget
- Corporate Governance Committee Charter
- Joint Organizational Governance Committee Charter
- BOR Standing Committees Charter
- Audit Committee Charter
- CEO Report Mar 2022
- Mid Year Budget
- FPPC Conflict of Interests Desk Procedures
- Administrative Budget Policy Directive
- Media Policy
- BOI Closed Session Policy
- Management Compliance Report
- Records and Information Management Policy
- DPC Privacy Policy Statement
- HIPAA Privacy and Security Rule Policies
- Incident Reporting
- Corporate Governance Policy
- Internal Audit's Risk Assessment 2021-2022
- Training Report
- Management's Response to Plante Moran's Comments to Management
- Additional confidential non-public documents

**FOR INFORMATION ONLY**

August 16, 2023

TO: 2023 Audit Committee  
Jason E. Green  
Onyx Jones  
Patrick L. Jones  
Shawn R. Kehoe  
Keith Knox  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert H. Griffin

FROM: Kristina Sun **KS**  
Senior Internal Auditor

FOR: August 31, 2023 Audit Committee Meeting

SUBJECT: **Recommendation Follow-Up Report**

**Background**

The Institute of Internal Auditors' (IIA) Performance Standard 2500 requires the Chief Audit Executive (CAE) to establish and maintain a follow-up process to monitor and ensure recommendations have been effectively implemented or that executive management has accepted the risk of not addressing the underlying finding of the recommendation.

**Internal Audit's Follow-Up Process**

During the audit process, Internal Audit may identify findings or make recommendations to address risks or improve a process. The responsible division manager and the Executive Office review the findings and recommendations. Subsequently, the division manager provides responses indicating how and when planned improvements will be made. The final audit report includes the audit findings, recommendations, management's responses, and targeted completion date. Internal Audit tracks recommendations through TeamMate+, our audit management software, and regularly follows up with Management. Internal Audit is responsible for 1) ensuring that Management's action plans have been effectively implemented, or 2) ensuring that Management remains aware of the risks that they accept by not taking action in a timely manner. On a quarterly basis, Internal Audit reports the status of all outstanding audit recommendations to the Audit Committee.

Recommendations are classified based on the responsible party's progress:

- **On Track** – The responsible party began implementing the recommendation and currently on track to meet the target implementation due date. Management has the option to extend the target implementation due date with the Executive Office's approval.

- **At Risk / Behind Schedule** – The responsible party has not made enough progress to implement the recommendation by the target implementation due date.
- **Implemented** – The responsible party provided documentation and the Internal Auditor verified the satisfactory implementation of the audit recommendation.
- **Overdue** – The responsible party has failed to implement the recommendation by the target implementation due date and has not completed the extension request.
- **Pending Internal Audit’s Verification** – The responsible party has implemented the recommendations but has not been verified by Internal Audit. Internal Audit does not close out a recommendation without completing internal verification procedures.

**Monitoring and Reporting for Fiscal Year 2023**

As result of the audit and consulting projects completed in the recent months, Internal Audit is tracking both audit recommendations and long-term strategic recommendations. Audit recommendations are focused on improving internal controls while strategic recommendations are centered on organizational risks that may impact LACERA in the future. The reporting period is May 16, 2023 through June 30, 2023. Audit reports and recommendations released after June 30, 2023 will be included in the next quarterly reporting to the Audit Committee. Verification of recommendations is based on the status as of August 15, 2023.

	# of Audit Recommendations	# of Strategic Recommendations
<b>Balance as of 7/1/2022</b>	<b>11</b>	<b>6</b>
+ New Findings	5	13
- Accepts Risk	0	0
- Implemented Findings	-1	0
<b>Balance as of 9/30/2022</b>	<b>15</b>	<b>19</b>
+ New Findings	8	0
- Accepts Risk	0	0
- Implemented Findings	0	0
<b>Balance as of 1/15/2023</b>	<b>23</b>	<b>19</b>
+ New Findings	5	0
- Accepts Risk	0	0
- Implemented Findings	-5	0
+ Separation of Recommendations	4	0
- Pending Internal Audit’s Verification	0*	0
<b>Balance as of 5/15/2023</b>	<b>27</b>	<b>19</b>
+ New Findings	2	0
- Accepts Risk	0	0
- Implemented Findings	-10	-4
+ Separation of Recommendations	1	0
- Pending Internal Audit’s Verification	-5	0
<b>Balance as of 6/30/2023</b>	<b>15</b>	<b>15</b>

\*Adjusted to avoid double counting in the current reporting period

Included in this memo are the following attachments for the Audit Committee to review:

- Attachment A – Progress highlights of outstanding audit recommendations and long-term strategic recommendations for the period from May 16, 2023 through June 30, 2023.
- Attachment B – Details of the outstanding audit recommendations as of June 30, 2023.
- Attachment C – Details of the outstanding long-term strategic recommendations as of June 30, 2023.

Staff from the respective divisions will be present at the August 31, 2023 Audit Committee meeting to address any questions.

Noted and Reviewed:



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Richard P. Bendall  
Chief Audit Executive

KS



ATTACHMENT A

# Recommendation Follow-Up Progress As Of June 30, 2023

August 2023 Audit Committee Meeting

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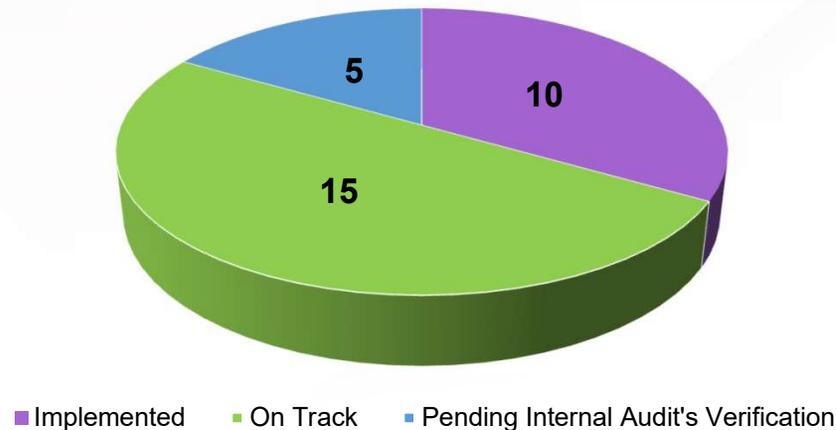
Presented by:  
Kristina Sun, Senior Internal Auditor

## Status of Open Audit Recommendations



Outstanding audit recommendations are classified based on the responsible party's progress and assigned categories based on the fundamental intent of the recommendation. The reporting period is from May 16, 2023 through June 30, 2023. Audit reports and recommendations released after June 30, 2023 will be included in the next quarterly reporting to the Audit Committee. Verification of recommendations is based on the status as of August 15, 2023.

Status of Outstanding Audit Recommendations  
as of June 30, 2023



# Status of Open Audit Recommendations



Audit recommendations address operational risks and focus on improving internal controls. These recommendations are directed towards specific divisions within the organization. In some cases, implementation requires extensive coordination between multiple divisions. Table below illustrates the outstanding audit recommendations by divisions.

## Open Audit Recommendation By Divisions

Division	Implemented	On Track	Pending Internal Audit's Verification
Administrative Services Division	-	1	-
Disability Retirement Services Division (DRS)	1	2	-
Financial Accounting & Services Division (FASD)	1	1	1
Executive Office	1	2	2
Human Resources Division (HR)	5	7	2
Information Security Office	-	2	-
Investments Office	1	-	-
Retiree Healthcare Division (RHC)	1	-	-
<b>Total</b>	<b>10</b>	<b>15</b>	<b>5</b>



## Status of Open Strategic Recommendations

Strategic recommendations cover the broader operating risks and control gaps that require attentions from the Executive Office. Executive Office has begun to address these strategic recommendations in Fiscal Year Ended 2023. For an in-depth review, refer to the Agenda Item VII.D. "Organizational Governance Follow-Up" for details.

### Implemented recommendations

Related Strategic COSO* Area	# of Recos
Organizational Structure	1
Resource Capacity	1
Policies/Procedure Development & Maintenance	1
General Information Technology (IT) Controls	1
<b>Total</b>	<b>4</b>

### Recommendations to be evaluated as part of FY23-24 strategic planning

Strategic COSO* Area	# of Recos
Organizational Structure	3
Internal and External Reporting	1
Forecasting/Budget	1
Risk Assessment	1
Training and Development & Talent Management	7
Performance Measures	2
<b>Total</b>	<b>15</b>

\*COSO refers to the internal control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission.

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
<b>Administrative Services Division</b>					
Audit of Contract Operations (Procurement of Services)	2019 Policy and 2020 Manual are past review dates	Medium	Administrative Services Division Management should review and update the 2019 Policy for Purchasing Goods and Services and 2020 Purchasing and Contract Administration Manual accordingly.	<b>ON TRACK</b> - Admin Services is waiting for the ECLM and AP application implementations to be complete. Once complete, Admin Services will update the policy and procedures.	12/31/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
<b>Disability Retirement Services Division (DRS)</b>					
Audit of Disability Process	Incomplete policy and procedures related to the DRS intake process for survivor applicants and affiliated disability applicants.	Low	DRS Management should update its standard operating procedure "Intake Application Review and Acceptance Procedures (Intake SOP)" to include disability cases with special requirements or circumstances. Additionally, DRS management should delineate and document the roles and responsibilities between the Legal Office and DRS for handling and monitoring affiliated disability applications.	<b>IMPLEMENTED</b> - DRS management provided a revised copy of the "Intake Application Review and Acceptance Procedures" SOP (Intake SOP) and we noted that the revisions include additional instructions for processing applications for survivor benefits and for processing affiliated disability applications. Additionally, DRS management will distribute the revised Intake SOP at the August monthly staff meeting. Implementation date is 7/19/2023.	6/30/2023
Audit of Disability Process	The current practices for processing affiliated disability applications are not documented in a formal policy.	Medium	DRS Management and LACERA's Legal Office should update its Policy to include current practices for processing disability applicants affiliated with LACERA employees or the BOR. A formal documented Policy will help prevent staff from processing affiliated applications that require outsourcing to third-party investigators.	<b>ON TRACK</b> - Report was issued in May 2023. Management is currently addressing the recommendation.	10/31/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
Audit of Disability Process	A mechanism to identify affiliated disability applicants does not exist.	Medium	DRS Management should develop a formal control mechanism for identifying disability applicants affiliated with LACERA employees or the Board of Retirement.	<b>ON TRACK</b> - Report was issued in May 2023. Management is currently addressing the recommendation.	12/31/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
<b>Executive Office</b>					
Board Vantage Security Settings	Expected application access control restrictions were not validated	High	1. LACERA's OneMeeting (PrimeGov) application owners/developers should ensure that during implementation, in the beta phase, when first placed into production, and periodically thereafter, they perform tests of access controls to ensure that the application is appropriately setup and aligned with planned and expected application controls for restricting access to documents to only those authorized and intended to have access.	<b>IMPLEMENTED</b> - Discussion with the OneMeeting Admin and Systems staff confirm the OneMeeting process is in full production with only the two Board Secretaries capable of adding users and assigning security levels. Also, document security levels are validated by the secretaries before being published. Document archive access is controlled by the board secretaries.	2/28/2023
Board Vantage Security Settings	Expected application access control restrictions were not validated	High	2. LACERA's Information Security Office should require and ensure that appropriate and available audit trails are built and/turned on, and periodically reviewed for all LACERA [OneMeeting] applications.	<b>PENDING INTERNAL AUDIT'S VERIFICATION</b> - In July 2023, Internal Audit hired NetForce to perform a review of OneMeeting's security features and audit trails.	2/28/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
Board Vantage Security Settings	Support Application Audit Trails and Restrictions were Deficient	High	LACERA's OneMeeting (PrimeGov) application owners/developers should ensure the new PrimeGov cloud-based web application has audit logging functions in place when confidential documents are accessed. Audit trail reports should be automatically generated to notify the Executive staff of users accessing confidential documents.	<b>PENDING INTERNAL AUDIT'S VERIFICATION</b> - In July 2023, Internal Audit hired NetForce to perform a review of OneMeeting's security features and audit trails.	2/28/2023
LA County Rehired Retirees FYE 2021	Lack of adherence to PEPRA's "limited duration" language	High	We recommend LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined "bright-line" definition of limited duration to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law.	<b>ON TRACK - 1st Approved Extension</b> - The BOR approved the revised and restated LACERA policy on July 7, 2023. With the LACERA policy as a framework, work will now begin on drafting a policy for returning retirees hired by the County. Much work remains before presentation to OOC.	3/31/2024

**Operational Recommendation Follow-Up Report As of June 30, 2023**

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
LA County Rehired Retirees FYE 2021	Spike in the number of Rehired Retirees Exceeding 960-Hour Limit	High	<p>1. We recommend LACERA’s CEO formally request the County CEO in conjunction with the County Director of Human Resources and Auditor-Controller to prepare a corrective action plan that consolidates and actively monitors the rehired retiree (960- hour limit) reporting requirements for all County departments.2. We recommend LACERA’s Executive Office, Systems, and Benefits work with the County’s CEO Office and Auditor-Controller to establish an automated feed of rehired retirees’ hours as part of payroll data.3. We recommend LACERA’s Executive Office, Legal Office, and Benefits develop a policy and procedure to address both preventing overages and taking the required action on the retirement payroll of retirees that exceed the 960-hour limit.</p>	<p><b>ON TRACK - 2nd Approved Extension.</b> 1. System developers are still working on the programming of the data from the auditor controller reports onto Workspace. Delay due to time off and changing priorities in systems. 2. Letters will generate on member FR item when reporting is implemented with Workspace. 3. Letters are being vetted by communications and have been programmed to be sent to the member. 4. Developers have programmed for letters to be sent at the milestones. via email as well as USPS. s. Proposals are being developed to get support from SACRS for legislative changes in CERL and PEPRA. 6. Letters that are being sent will use vague consequences such as "may suspend membership". 7. After legislation has passed, HR (LA County) will be informed of the new consequences of a violation.</p>	8/31/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
<b>Financial Accounting &amp; Services Division (FASD)</b>					
Accounts Payables Audit	Accounts Payable Policy	Low	FASD, in conjunction with the Administrative Services Division, should develop a policy that covers all areas of accounts payable practices to help LACERA divisions obtain a mutual understanding of responsibilities and ensure compliance. Once the policy has been developed, FASD should communicate the Policy to the organization.	<b>IMPLEMENTED</b> - FASD has created an Accounts Payable (AP) Policy that was reviewed and approved by the Executive Office on June 30, 2023. The AP Policy establishes organization-wide responsibilities, authorizations, and internal controls in the AP process. The Policy became effective on July 1, 2023 and was distributed to the organization on July 11, 2023.	3/31/2023
State Street Bank Wire Transfers Audit	Authorized divisional representative lists	Low	FASD management should review and update the authorized divisional representative lists at least biennially.	<b>ON TRACK</b> - Report was issued in June 2023. Management is currently addressing the recommendation.	9/30/2023
State Street Bank Wire Transfers Audit	Cash Manager desk procedures	Low	FASD should review and update the Cash Manager desk procedures.	<b>PENDING INTERNAL AUDIT'S VERIFICATION</b> - Internal Audit is in the process of validating management's implementation of the recommendation.	6/30/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
<b>Human Resources Division (HR)</b>					
LACERA Rehired Retirees Audit	#1 - Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	High	1a. LACERA's Executive Office and HR should meet and confer around the expectations for compliance with the Post Employment Rehired Retiree Policy. HR should then revise their procedure accordingly.	<b>ON TRACK - 1st Approved Extension.</b> At the July 2023 BOR meeting, the Trustees approved the revised "Post-Retirement Employment Policy." Based on the FYE 2022 LACERA Rehired Retiree audit, the updated procedures are pending. HR management is working to update procedures based on the revised policy.	8/31/2023
LACERA Rehired Retirees Audit	#1 - Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	High	1b. HR Management ensure 960 Request Forms are completed and approved by the Executive Office, and all required documentation is obtained each fiscal year prior to the rehired retiree beginning work.	<b>ON TRACK - 1st Approved Extension.</b> The BOR recently approved the revised the "Post-Retirement Employment Policy" and HR is in the process of drafting the complementary internal procedures. These procedures will include the complete review of the forms and ensure proper and thorough documentation.	8/31/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
LACERA Rehired Retirees Audit	#1 - Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	High	1c. HR Management to ensure that missing documentations identified in this audit are obtained for the rehired retirees that worked in FY 2020-2021.	<b>ON TRACK - 1st Approved Extension.</b> HR will obtain the missing documents for rehired retirees for FY 2021-2022 or document the reason for those they are not able to obtain.	8/31/2023
LACERA Rehired Retirees Audit	#2 - Noncompliance With 960-Hour Limit Requirement	High	2.2 LACERA Executive Management should develop a process to remedy any overages due to payments for hours in excess of 960 hours.	<b>ON TRACK - 1st Approved Extension.</b> At the July 2023 BOR meeting, the Trustees approved the revised "Post-Retirement Employment Policy." Based on the FYE 2022 LACERA Rehired Retiree audit, the updated procedures are pending. HR management is working to update procedures based on the revised policy.	8/31/2023
LACERA Rehired Retirees Audit	#3 - Lack of Specific Limits in Defining Limited Duration	High	3.1 LACERA Executive Management should develop a more prescriptive policy around the rehiring of retirees which includes specific limits around the matter of limited duration.	<b>PENDING INTERNAL AUDIT'S VERIFICATION -</b> Internal Audit is in the process of validating management's implementation of the recommendation.	12/31/2022

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
LACERA Rehired Retirees Audit	#3 - Lack of Specific Limits in Defining Limited Duration	High	3.2 LACERA Executive Management should develop an expedited plan to transition from the retiree to permanent staff and report that plan to the Board of Retirement.	<b>PENDING INTERNAL AUDIT'S VERIFICATION -</b> Internal Audit is in the process of validating management's implementation of the recommendation.	12/31/2022
Review of HR Recruiting & Hiring Process	#2: Lack of Policies, Procedures & Automation	N/A	2.a. HR should create and disseminate an HR Recruiting Manual to assist hiring officials (division managers) and recruiters in identifying and recruiting the best candidates.	<b>IMPLEMENTED</b> - HR management developed a hiring playbook that was completed in March 2023 and currently being used by HR staff. The hiring playbook was subsequently shared with the LACERA management team during a March 2023 MAC meeting and received feedback from the division managers. The review and revision to the hiring playbook is currently underway.	12/31/2022

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
Review of HR Recruiting & Hiring Process	#2: Lack of Policies, Procedures & Automation	N/A	2b. HR should utilize the resources and tools available through automated systems such as NEOGov or alternative systems to obtain data contained within the Analytics and Reporting functionality of the system. This data should be used to monitor and assess performance, such as, time-to-hire.	<b>ON TRACK - Approved 1st Extension.</b> HR management has engaged with ServiceNow to provide a case management system for HR. The implementation of ServiceNow is underway and on track. The scheduled go-live date is 9/15/2023 and the scheduled close-out date is 9/29/2023.	9/29/2023
Review of HR Recruiting & Hiring Process	#2: Lack of Policies, Procedures & Automation	N/A	2c. HR should develop a Recruiting Process Flow Diagram which summarizes the key phases, responsibilities of divisions, and hand-off points which occur for all phases of recruitment. This should be performed in collaboration with divisions to identify opportunities for streamlining, to ensure agreement and reduce areas of confusion. This document along with updated P&P's will enable both HR and Divisions to have a clear and consistent understanding of the recruitment process.	<b>IMPLEMENTED</b> - HR management developed a hiring playbook that was completed in March 2023 and currently being used by HR staff. The hiring playbook was subsequently shared with the LACERA management team during a March 2023 MAC meeting and received feedback from the division managers. The review and revision to the hiring playbook is currently underway.	12/31/2022

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	N/A	3a. HR should align with the Society of Human Resources Management (“SHRM”)4 best practice for recruiting to establish the recruitment team configuration. Based on the current number of vacancies which LACERA has, dedicated recruiters will result in a focus on recruitment to meet the needs of the organization.	<b>IMPLEMENTED</b> - HR management will create specific HR teams and each team will support 3-4 divisions with similar staff size and complexity.	6/30/2023
Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	N/A	3b. HR should have recruiting specialists who are assigned specific Divisions as requested by organization stakeholders.	<b>IMPLEMENTED</b> - HR management will create specific HR teams and each team will support 3-4 divisions with similar staff size and complexity.	6/30/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	N/A	3c. HR should perform a needs assessment to determine whether additional resources are needed by performing the following activities: i.) an evaluation of the competencies of the team; ii.) performing a skills and capabilities assessment; iii.) identifying areas of strengths and professional development needs; iv.) an analysis of the division's tasks performed; and v.) the associated time requirements.	<b>ON TRACK - Approved 1st Extension.</b> HR management determined that extra time is needed to hire staff to be included in the assessment and for the consultant to conduct their evaluation. HR will hire staff that meets known needs, and will rely on the assessment to identify unknown/unseen needs. The later needs can be addressed with training.	12/31/2023
Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	N/A	3d. HR Management and Division Management should establish SLAs as it relates to recruiting efforts. SLAs should identify individual roles and responsibilities at the division level and those performed by HR recruiting staff. Additionally, performance measures should be established to address both efficiency and effectiveness (i.e., performance measure on timing associated with candidate interviews). Lastly, monitoring of the agreements should occur to hold both HR and Divisions accountable for responsibilities and timeliness of recruiting activities.	<b>IMPLEMENTED</b> - HR management developed a hiring playbook that was completed in March 2023 and currently being used by HR staff. The hiring playbook was subsequently shared with the LACERA management team during a March 2023 MAC meeting and received feedback from the division managers. The review and revision to the hiring playbook is currently underway.	12/31/2022

**Operational Recommendation Follow-Up Report As of June 30, 2023**

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	N/A	3e. HR should update work programs for all HR members including the members exclusively dedicated to recruiting efforts. The work programs should outline key recruiting steps, organizational support, and performance measures and accountability.	<b>On Track - Approved 1st Extension.</b> The revisions to the classification descriptions remain outstanding. The focus has been on hiring key positions across the organization.	9/30/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
<b>Information Security Office</b>					
Third-Party Data Security	Finding #1 Inadequate communication regarding non-compliance with vendor contracts	High	Administrative Services should build into its control process additional warnings to Contract Administrators, escalating non-compliance to the Executive Office, and implementing consequences, like stopping payments for vendors with non-compliance contracts.	<b>ON TRACK - 1st Approved Extension.</b> Administrative Services Division is close to finishing the implementation of the ECLM system. System has controls built-in to it that will give notifications to all non-compliant contracts. Non-compliant contracts will be identified, and payments will be halted until the issues are resolved. The system will also produce non-compliance reports for Management.	9/30/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Third-Party Data Security	Finding #2 No formal procedures for review of vendor security reports	Low	InfoSec management should document its review when approving vendor security reports. The documentation should include a checklist of key areas reviewed and any additional research and communications needed to obtain adequate assurance about the vendor's security posture.	<b>ON TRACK - 1st Approved Extension.</b> InfoSec has created a draft SOC review checklist and currently documents. analysis of the SOC review on the "Comments/ Concerns;" section of the 3rd Party Vendor Security Assessment Review form. An extension of the implementation date is needed to improve the 3rd party vendor risk management process and integrate it with ECLM.	9/30/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

<b>Project Name</b>	<b>Finding Title</b>	<b>Risk Rating</b>	<b>Recommendation</b>	<b>Status Update</b>	<b>Target Due Date</b>
<b>Investments Office</b>					
THC Stale Check	Inadequate controls	High	The Investment Office should: Formalize and document procedures for receiving, tracking, and depositing checks, including appropriate levels of supervision and segregation of duties. Address the remaining stale checks by: logging and recording the status of each check until new checks are received and deposited or written off as a loss of funds, performing a monthly review by Real Estate team management of the Stale Check Summary Log and the status of efforts made to obtain reissued checks and the determination of checks that are uncollectable for write-off, and dispositioning uncollectable checks with the Executive Office to determine appropriate reporting.	<b>IMPLEMENTED</b> - Investment Office has made great efforts to recover the checks and was able to recover 60% of the outstanding checks. Internal Audit has noted that the Investment Office has put a process in place to recover the stale checks as well as implement new procedures to reduce the number of physical checks received by LACERA. The new non-member check procedure includes a reconciliation of the checks received, deposited, and recorded by LACERA.	6/30/2023

**Operational Recommendation Follow-Up Report As of June 30, 2023**

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
<b>Retiree Healthcare Division (RHC)</b>					
Risk & Controls Assessment - Retiree Healthcare	RHC management has not initiated or completed a majority of its divisional strategic goals.	Medium	RHC management should a) assess its strategic goals using a risk-based approach, and b) prioritize addressing goals that can be completed with RHC's current resources.	<b>IMPLEMENTED</b> - RHC management evaluated its strategic goals and has determined to focus on leveraging technology to enhance the division's business processes. Projects completed are enhancements to the electronic wire transfer payments, and using OCR to review Medicare Part B verification forms. Ongoing projects include electronic submission to carriers, adding more RHC information on MyLACERA Portals, and creating Medicare videos for member.	3/31/2023

Strategic COSO Area	Project Name	Finding Title	Recommendation	Status Update
Organizational Structure	Organizational Governance Review	OBS 1 - LACERA does not have an organizational wide strategic plan	LACERA executive leadership should engage in a facilitated analysis of employees across the organization and identify specific development needs of employee classifications and functional groups.	<b>IMPLEMENTED</b> - The BOR approved the LACERA Strategic Plan at its July 2023 meeting.
Organizational Structure	Organizational Governance Review	OBS 5 - The LACERA CEO job description and the responsibilities of the Board Committees overlap/conflict	The BOR's Committee Charters and the Chief Executive Officer's (CEO) job description should be reviewed and updated to reflect the appropriate responsibilities of each. The Charters should include oversight responsibilities while the CEO job description should include responsibilities for carrying out the Board directives and management of the organization.	To be evaluated as part of FY23-24 strategic planning. Refer to the Agenda Item VII.D. "Organizational Governance Follow-Up" for details.
Organizational Structure	Organizational Governance Review	OBS 6 - LACERA does not have a formal enterprise fraud prevention and detection program	LACERA should implement a formal fraud prevention and detection program that includes a policy separate from the Ethics Policy, consistent training for staff including how to report suspected fraud, and a process to incorporate what is learned from the fraud reporting into the organization's policies.	To be evaluated as part of FY23-24 strategic planning. Refer to the Agenda Item VII.D. "Organizational Governance Follow-Up" for details.

**Strategic Recommendation Follow-Up Report As of June 30, 2023**

Strategic COSO Area	Project Name	Finding Title	Recommendation	Status Update
Organizational Structure	Quality Assurance Operations Review	Finding #1 - The QA Division's independence is weakened when reporting to the same AEO over the operational areas in which they perform quality assurance audits.	LACERA Executive Management should work with QA and the MOG Divisions to develop a plan and timeline for a) relocating training and metrics out of the QA Division to an operational division, and b) changing the reporting structure such that the QA Division reports independently to the Administrative AEO.	To be evaluated as part of FY23-24 strategic planning
Resource Capacity	Risk & Controls Assessment - Retiree Healthcare	OBS 1 - RHC has vacancies throughout the division, especially in the RHC Call Center	This was a strategic observation made by Internal Audit.	<b>IMPLEMENTED</b> - Effective May 1, 2023, RHC onboarded 6 new trainees who are all currently going through RHC's CORE training making the division's current filled count at 36. Three of the new specialists will be assigned to the RHC Call Center.
Forecasting/Budget	Risk & Controls Assessment - Retiree Healthcare	OBS 4 - RHC's administrative fee process is not formalized.	This was a strategic observation made by Internal Audit.	To be evaluated as part of FY23-24 strategic planning

**Strategic Recommendation Follow-Up Report As of June 30, 2023**

Strategic COSO Area	Project Name	Finding Title	Recommendation	Status Update
Training and Development & Talent Management	Organizational Governance Review	OBS 3 - LACERA has not implemented a professional development plan	LACERA executive leadership should engage in a facilitated analysis of employees across the organization and identify specific development needs of employee classifications and functional groups.	To be evaluated as part of FY23-24 strategic planning. Refer to the Agenda Item VII.D. "Organizational Governance Follow-Up" for details.
Training and Development & Talent Management	Organizational Governance Review	OBS 4 - LACERA does not have a succession plan	LACERA should implement a succession planning process to ensure that the organization can maintain a workforce that collectively possesses the core competencies and skills needed to accomplish its strategic objectives. Effective succession planning focuses on current and future needs and develops a pool of high-potential personnel to meet the organization's long-term mission.	To be evaluated as part of FY23-24 strategic planning. Refer to the Agenda Item VII.D. "Organizational Governance Follow-Up" for details.
Training and Development & Talent Management	Review of HR Recruiting & Hiring Process	#1: Lack a Planned, Measured and Optimized Recruiting Approach	1.a. LACERA's Executive Team should work with HR Management to develop an effective Workforce Plan and Implementation Strategies that clearly align with the organization's current and future Strategic Plans related to recruitment efforts.	To be evaluated as part of FY23-24 strategic planning

**Strategic Recommendation Follow-Up Report As of June 30, 2023**

Strategic COSO Area	Project Name	Finding Title	Recommendation	Status Update
Training and Development & Talent Management	Review of HR Recruiting & Hiring Process	#1: Lack a Planned, Measured and Optimized Recruiting Approach	1.b. Identify an individual or committee (governance structure) to oversee the alignment of the approved Workforce Plan and HR's Implementation Strategies for recruiting.	To be evaluated as part of FY23-24 strategic planning
Training and Development & Talent Management	Review of HR Recruiting & Hiring Process	#1: Lack a Planned, Measured and Optimized Recruiting Approach	1.c. LACERA's Workforce Plan should address succession planning as a key component. Each division should perform forecasting of future vacancies through retirement and attrition. Succession candidates should be identified in each division and professional development should occur to prepare these members for future roles. We recommend that LACERA identify a Workforce Planning Model such as that established by the California Department of Human Resources or an alternative model.	To be evaluated as part of FY23-24 strategic planning

**Strategic Recommendation Follow-Up Report As of June 30, 2023**

Strategic COSO Area	Project Name	Finding Title	Recommendation	Status Update
Training and Development & Talent Management	Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	3.f. Based on the anecdotal evidence shared throughout this engagement it is apparent that LACERA's workplace culture is being affected in negative ways through perceptions and experiences of individuals who are directly related to the recruiting efforts, primarily at the Division level. As such, LACERA should perform an assessment of their HR Division to evaluate the team-member cohesiveness, related to employee satisfaction, level of engagement, perception of HR division management, and alignment with organizational strategy.	To be evaluated as part of FY22-23 strategic planning
Training and Development & Talent Management	Risk & Controls Assessment - Retiree Healthcare	OBS 2 - RHC is lacking succession planning between the management team and staff. RHC management has continued to rehire a retiree for over ten years	This was a strategic observation made by Internal Audit.	To be evaluated as part of FY23-24 strategic planning

**Strategic Recommendation Follow-Up Report As of June 30, 2023**

Strategic COSO Area	Project Name	Finding Title	Recommendation	Status Update
General Information Technology (IT) Controls	Risk & Controls Assessment - Retiree Healthcare	OBS 3 - RHC Manual Processes with Lack of IT Automated Controls	This was a strategic observation made by Internal Audit.	<p><b>IMPLEMENTED</b> - RHC submitted a formal request to be submitted to begin data transfers with the Social Security Administration (SSA) on 2/23/2023. A Form SSA-157 – Data Exchange Request Form (DXRF) Request for Information form (required by SSA) to determine LACERA’s eligibility for entering into an agreement with the SSA for data file transfers. Additionally, effective January 2023, with Systems assistance, RHC was able to automate a substantial portion of the annual incoming Medicare Part B verification process.</p>

**Strategic Recommendation Follow-Up Report As of June 30, 2023**

Strategic COSO Area	Project Name	Finding Title	Recommendation	Status Update
Policies/Procedure Development & Maintenance	Organizational Governance Review	OBS 2 - LACERA does not review and revise policies and procedures or internal controls in an effective manner	LACERA should, at a minimum, establish a schedule for reviewing and updating all policies and procedures. In addition, internal controls should also be documented within the procedures and reviewed on a regular schedule and updated as necessary. LACERA should also find an automated solution to maintain policies and procedures. The Policies and Procedures Council should focus not only on timely reviews, but also on quality control, ensuring thoroughness, ease of implementation, and effective communication with staff.	<b>IMPLEMENTED</b> - During the Fiscal Year Ended June 30, 2023, a Policy Committee was established and a charter for the committee was developed.
Risk Assessment	Organizational Governance Review	OBS 9 - LACERA does not have a formal enterprise risk management and compliance program	LACERA should implement a formal enterprise risk management and compliance program for the organization that includes identification of risks and how to address those risks. The risk information should be used by the organization to make decisions. The program should also include an inventory of all program requirements and a plan to monitor compliance with those requirements. Reporting mechanisms should be implemented for risk management and compliance.	To be evaluated as part of FY23-24 strategic planning. Refer to the Agenda Item VII.D. "Organizational Governance Follow-Up" for details.

**Strategic Recommendation Follow-Up Report As of June 30, 2023**

Strategic COSO Area	Project Name	Finding Title	Recommendation	Status Update
Internal and External Reporting	Organizational Governance Review	OBS 7 - LACERA does not have a communication plan	LACERA should finalize the existing draft Communication Plan for the organization. In addition, guidelines for style and format of reporting should be developed to ensure consistency. Staff should be trained on the implemented Communication Plan and style and format guidelines.	To be evaluated as part of FY23-24 strategic planning. Refer to the Agenda Item VII.D. "Organizational Governance Follow-Up" for details.
Performance Measures	Organizational Governance Review	OBS 8 - LACERA lacks defined Key Performance Indicators (KPI)	LACERA should develop and implement key performance indicators (KPI's) for any divisions that have not yet defined them. The KPI's should be quantifiable and be linked to the goals of the organization as established in the Strategic Plan (see Obs-01). In addition, reporting mechanisms should be established for the reporting of the KPI's so that the data can be used to inform decision making.	To be evaluated as part of FY23-24 strategic planning. Refer to the Agenda Item VII.D. "Organizational Governance Follow-Up" for details.
Performance Measures	Quality Assurance Operations Review	Finding #6: QA management does not have an annual quality assurance audit plan and does not have metrics and KPIs for managing their staff's work.	QA management should develop an annual quality assurance audit plan and key performance indicators (KPIs) to allocate and monitor QA staff resources.	To be evaluated as part of FY23-24 strategic planning



**FOR INFORMATION ONLY**

August 15, 2023

TO: 2023 Audit Committee  
 Onyx Jones, Chair  
 Keith Knox, Vice Chair  
 Patrick L. Jones, Secretary  
 Jason E. Green  
 Shawn R. Kehoe  
 Antonio Sanchez  
 Gina V. Sanchez

Audit Committee Consultant  
 Robert H. Griffin

FROM: Gabriel Tafoya   
 Senior Internal Auditor

FOR: August 31, 2023 Audit Committee Meeting

SUBJECT: **Recommendation Follow-Up for Sensitive Information Technology Areas**

Internal Audit reports to the Audit Committee a summary of recommendations related to system and network security audits and assessments.

During fiscal year ended 2023, the Systems division implemented a total of 19 recommendations, five new recommendations were added, and one was reclassified. 21 recommendations remain open as of June 30, 2023. The following chart illustrates the cumulative activity at each reporting period for the fiscal year.

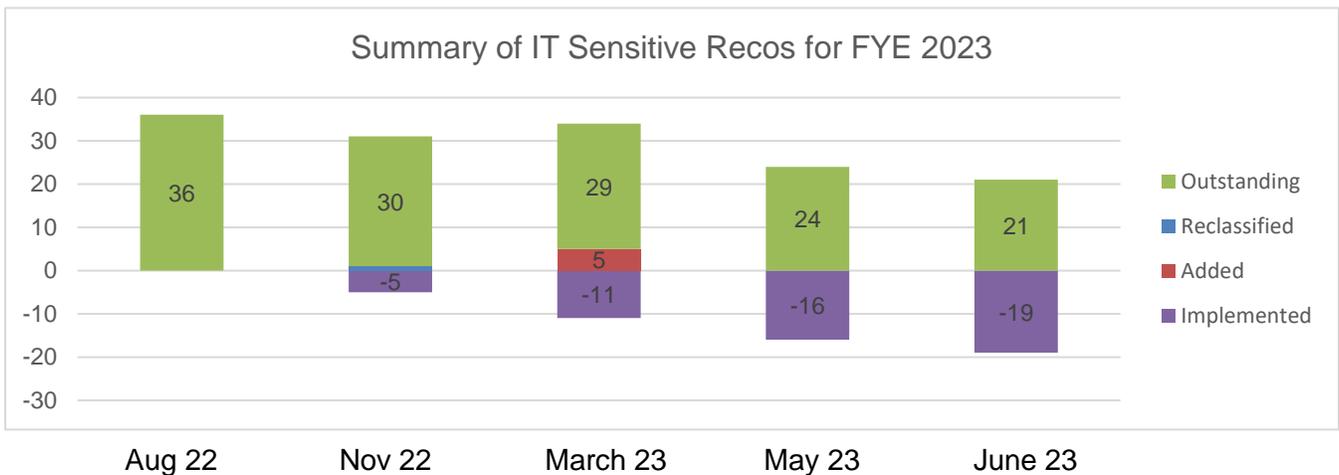


Table 1 summarizes the status of recommendations related to seven sensitive information technology (IT) engagements and one category of recommendations in which we previously consolidated duplicated recommendations. Three recommendations were implemented during this reporting period, May 2023 through June 2023. Table 2 summarizes the currently outstanding 21 recommendations by the different IT general controls areas.

**SUMMARY OF OPEN RECOMMENDATIONS**

**Table 1: Recommendations Status – By Audit Engagement**

Engagement Name Report Date	Total Recos	Implemented During Prior Periods	Implemented May 2023 – June 2023	In Progress July 2023
Recommendation Status by Risk Level				
<b>PM SOC FYE 2022</b> June 2022				
Medium	5	2	—	3
<b>Moss Adams Pen and Social Engineering</b> April 2022				
High	3	2	—	1
Medium	3	1	1	1
Low	1	—	—	1
<b>PM SOC FYE2021</b> September 2021				
Medium	5	3	—	2
<b>PM SOC Readiness Assessment</b> February 2020				
Medium	10	9	—	1
<b>Clear Skies Penetration Test and VeraCode Report</b> March 2020				
High	1	1	—	—
Medium	25	20	1	4
Low	17	11	1	5
<b>Tevora 2019 Penetration Test</b> June 2019				
Low	5	4	—	1
<b>Tevora 2018 Security Risk Assessment</b> July 2018				
Medium	3	3	—	—
Low	6	5	—	1
<b>Consolidated Recos</b> January 2021				
High	2	2	—	—
Medium	2	1	—	1
<b>Totals</b>	<b>88</b>	<b>64</b>	<b>3</b>	<b>21</b>

For the reporting period ended June 2023, the Systems Division implemented two upgrades which closed out three recommendations.

- Updated MyLACERA.com java script library to address one recommendation from Moss Adams Pen and Social Engineering engagement and one recommendation from Clear Skies Penetration Test.
- Installed CAPCHA engagement code for the purpose of BOT activity detection and prevention when accessing MyLACERA.com to address one recommendation from Clear Skies Penetration Test.

For recommendations which are listed as **In Progress**, the Systems Division, Information Security, and Administrative Services provided a summary of work to be performed and a timeline for completion.

The Executive Office, Administrative Services, Information Security, Systems, and LACERA’s building’s property manager are working together to address the one remaining High-Risk recommendation from Moss Adams’ Pen and Social Engineering engagement. Internal Audit has verified the original recommendation made by Moss Adams has been implemented; Administrative Services has reviewed and updated physical security standards and notified staff of the various points of entry and types of tactics that could be used to enter LACERA’s site, through both email and Brown Bag updates. However, Management believes it would be prudent to further enhance LACERA’s physical security features and is working with the property manager to find a solution.

**RECOMMENDATIONS CATEGORIZED**

IT General Controls (ITGC) are the basic controls that can be applied to IT systems such as applications, operating systems, databases, and supporting IT infrastructure. The general objective for ITGC is to ensure the integrity of the data and processes that systems support.

To provide additional insight into these sensitive recommendations, we categorized the recommendations from sensitive IT engagements into the following ITGC areas:

ITGC	Description of control
<b>Data Backup and Recovery</b>	Controls provide reasonable assurance that data and systems are backed up successfully, completely, stored offsite, and validated periodically.
<b>Environmental</b>	Controls provide reasonable assurance that systems equipment and data is adequately protected from environmental factors.
<b>Information Security</b>	Controls provide reasonable assurance that policies and procedures are in place to ensure effective communication of information security practices.
<b>Logical Access</b>	Controls provide reasonable assurance that logical access to applications and data is limited to authorized individuals.
<b>Physical Security</b>	Controls provide reasonable assurance that physical access to systems equipment and data is restricted to authorized personnel.

<b>System Development &amp; Change Management</b>	Controls provide reasonable assurance that changes to or development of applications is authorized, tested, and approved. Controls also, provide reasonable assurance that segregation of duties exist.
<b>System Monitoring &amp; Maintenance</b>	Controls provide reasonable assurance that systems are monitored for security issues, and that patches and antivirus definition file updates are applied in a timely manner.

**Table 2: Recommendations Status – By IT General Control Areas**

	<b>Total Recos</b>	<b>Implemented During Prior Periods</b>	<b>Implemented May 2023 – June 2023</b>	<b>In Progress July 2023</b>
Data Back Up & Recovery	1	1	—	—
Environmental	—	—	—	—
Information Security	16	5	—	11
Logical Access	48	43	2	3
Physical Security	3	—	—	3
System Development & Change Management	2	2	—	—
System Monitoring & Maintenance	18	14	1	4
<b>Total by Implementation Status</b>	<b>88</b>	<b>64</b>	<b>3</b>	<b>21</b>

Internal Audit will continue to update the Audit Committee on the status of recommendations at each Committee meeting.

Staff will be available to address questions at the August 31, 2023, Audit Committee meeting, but please remember that due to the sensitive nature of these IT recommendations we cannot provide additional details.

Noted and Reviewed:



Richard P. Bendall  
Chief Audit Executive

**FOR INFORMATION ONLY**

August 10, 2023

TO: 2023 Audit Committee  
Onyx Jones, Chair  
Keith Knox, Vice Chair  
Patrick L. Jones, Secretary  
Jason E. Green  
Shawn R. Kehoe  
Antonio Sanchez  
Gina V. Sanchez

Audit Committee Consultant  
Robert H. Griffin

FROM: Richard P. Bendall   
Chief Audit Executive

FOR: August 31, 2023 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. Since the last report on June 1, 2023, LACERA received one case report which is under investigation.

Issue Type	Count	Status
Discrimination or Harassment	1	Pending; Outside Investigator retained

Staff will continue to provide updates to the Committee on future reports. For the Committee's information, Internal Audit is not currently investigating, nor has it received any new reports of wrongdoing and/or become aware of any matters of wrongdoing outside of the Ethics Hotline. Furthermore, we have not identified any matters of fraud in any of our recent or current audit and consulting work.