IN PERSON & VIRTUAL BOARD MEETING

TO VIEW VIA WEB

TO PROVIDE PUBLIC COMMENT

Members of the public may address the Board orally and in writing. To provide Public Comment, please visit the above link and complete the request form.

Attention: If you have any questions, you may email PublicComment@lacera.com.

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

AGENDA

A REGULAR MEETING OF THE AUDIT, COMPLIANCE, RISK, AND ETHICS

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, APRIL 24, 2025

This meeting will be conducted by the Audit, Compliance, Risk, and Ethics (ACRE) 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.

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 March 13, 2025

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.

If you select oral comment, we will contact you via email with information and instructions 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 within the form 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.)

VI. NON-CONSENT ITEMS

    A.   **Internal Audit's Roadmap for FYE 2026-2028**
        Recommendation as submitted by Christina Logan, Principal Internal Auditor: That the ACRE Committee review and approve Internal Audit's Roadmap for FYE 2026-2028.
        (Presentation) (Memo dated April 7, 2025)

VI.   NON-CONSENT ITEMS (Continued)

B.   **Request For Proposal - Financial Auditor**
Recommendation as submitted by Kristina Sun, Senior Internal Auditor:
That the ACRE Committee approve the proposed minimum qualifications
and search criteria for a Financial Auditor Request for Proposal (RFP) for
five fiscal years (FY 2026 – FY 2030) with an option to extend for two
additional one-year terms. (Presentation) (Memo dated April 7, 2025)

C.   **Advisory Review of the Recruitment and Hiring Process**
Recommendation as submitted by Kristina Sun, Senior Internal Auditor:
The ACRE Committee review and discuss the following engagement
report to take the following action(s):

1.   Accept and file,

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 the engagement, and/or

4.   Provide further instruction to staff.
(Presentation) (Memo dated April 7, 2025)

VII.   REPORTS

A.   **LACERA Risk Management and Internal Audit Risk Assessment**
Richard P. Bendall, Chief Audit Executive
(Presentation) (Memo dated April 3, 2025)

B.   **Fiscal Year Ending 2025 Audit Plan Status Report**
Nathan K. Amick, Senior Internal Auditor
(Presentation) (Memo dated April 7, 2025)

C.   **Ethics Hotline Status Report**
Leisha E. Collins, Principal Internal Auditor
(Presentation) (Memo dated April 9, 2025)

D.   **Ethics and Compliance Program Foundational Work Plan Status**
Steven P. Rice, Chief Counsel
Allison E. Barrett, Senior Staff Counsel
(For Information Only) (Memo dated April 3, 2025)

VII.   REPORTS (Continued)

E.   **Recommendation Follow-Up Report**
Leisha E. Collins, Principal Internal Auditor
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated April 9, 2025)

F.   **Recommendation Follow-Up for Sensitive Information Technology Areas**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated April 4, 2025)

G.   **Internal Audit Staffing Activity Report Update**
Richard P. Bendall, Chief Audit Executive
(Verbal Update)

H.   **Status of Other External Audits Not Conducted at the Discretion of Internal Audit**
Richard P. Bendall, Chief Audit Executive
(Verbal Update)

VIII.   CONSULTANT COMMENTS
Larry Jensen, ACRE 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 agendized 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 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, but no later than 48 hours prior to the time the meeting is to commence.

MINUTES OF THE REGULAR MEETING OF THE AUDIT, COMPLIANCE, RISK, AND ETHICS 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, MARCH 13, 2025

This meeting was conducted by the ACRE Committee and Board of Retirement and Board of Investments both in person and by emergency teleconference under California Government Code Section 54953(e) based on the Governor's Proclamation of a State of Emergency due to the Los Angeles County fires.

COMMITTEE TRUSTEES: (Trustees joined via teleconference under Section 54953(e))

PRESENT: Debbie Martin (BOI), Chair

                   Nicole Mi (BOI), Vice Chair

                   Alma K. Martinez (BOI), Secretary (Joined the meeting at 9:09 a.m.)

                   Nancy Durazo (BOR), Trustee

                   Jason Green (BOR), Trustee

                   Wayne Moore (BOR), Trustee

ABSENT: Elizabeth Ginsberg, Ex-Officio

OTHER TRUSTEES:

                   Aleen Langton (BOR), Trustee (Joined meeting at 9:45 a.m.)

                   Patrick Jones (BOI), Trustee (Joined meeting at 10:00 a.m.)

STAFF, ADVISORS AND PARTICIPANTS:

Luis A. Lugo, Deputy Chief Executive Officer

Laura Guglielmo, Assistant Executive Officer

JJ Popowich, Assistant Executive Officer

Jonathan Grabel, Chief Investment Officer

Ted Granger, Chief Financial Officer

Steven P. Rice, Chief Counsel

Allison Barrett, Senior Staff Counsel

Carly Ntoya, Ph.D., Human Resources Director

Richard P. Bendall, Chief Audit Executive

Leisha E. Collins, Principal Internal Auditor

Christina Logan, Principal Internal Auditor

Nathan K. Amick, Senior Internal Auditor

Kristina Sun, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

Christian Velasco, Senior Internal Auditor

Delfino Aguilar, Senior Internal Auditor

Larry Jensen, ACRE Committee Consultant

Amanda Cronk, Plante Moran

Kristin Hunt, Plante Moran

Brent Banister, Cavanaugh Macdonald Consulting

I.   CALL TO ORDER

This meeting was called to order by Trustee Martin at 9:00 a.m. in the Board Room of Gateway Plaza.

II.   PLEDGE OF ALLEGIANCE

Trustee Mi led the Trustees and staff in reciting the Pledge of Allegiance.

III. Approval Of Governor's Proclamation of State of Emergency Due to The Los Angeles County Fires.

Mr. Rice was present to answer questions from the Committee.

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

Yes: Durazo, Green, Martin, Mi, Moore

Absent: Ginsberg, Martinez

IV.   ELECTIONS OF OFFICERS (Election of Chair, Vice Chair, and Secretary)

A. Chair of the Audit, Compliance, Risk, and Ethics Committee

Trustee Martin was nominated to the position of Chair of the Audit, Compliance, Risk, and Ethics Committee by Trustee Mi. Hearing no other nominations, the nominations were closed. Trustee Martin declared Trustee Martin as Chair of the Audit, Compliance, Risk and Ethics Committee for 2025.

B. Vice Chair of the Audit, Compliance, Risk, and Ethics Committee

Trustee Mi was nominated to the position of Vice Chair of the Audit, Compliance, Risk, and Ethics Committee by Trustee Martin. Hearing no other nominations, the nominations were closed. Trustee Martin declared Trustee Mi as Vice Chair of the Audit, Compliance, Risk and Ethics Committee for 2025.

IV.   ELECTIONS OF OFFICERS (Election of Chair, Vice Chair, and Secretary) (Continued)

C. Secretary of the Audit, Compliance, Risk, and Ethics Committee

Trustee Martinez was nominated to the position of Secretary of the Audit, Compliance, Risk, and Ethics Committee by Trustee Green. Hearing no other nominations, the nominations were closed. Trustee Martin declared Trustee Martinez as Secretary of the Audit, Compliance, Risk and Ethics Committee for 2025.

V.   APPROVAL OF THE MINUTES

A.   Approval of the Minutes of the Regular Meeting of December 12, 2024

Trustee Moore made a motion, Trustee Green seconded, to approve the Minutes of the Regular meeting of December 12, 2024. The motion passed by the following roll call vote:

Yes: Durazo, Green, Martin, Mi, Moore

Absent: Ginsberg, Martinez

VI.   PUBLIC COMMENT

There were no requests from the public to speak.

VII.   NON-CONSENT ITEMS

A.   **Proposed 2025 ACRE Committee Meeting Dates**
Recommendation as submitted by Christina Logan, Principal Internal Auditor: That the Committee review and approve the proposed 2025 ACRE Committee meeting dates. (Memo dated February 26, 2025)

(Trustee Martinez joined the meeting at 9:09 a.m.)

Ms. Logan was present to answered questions from the Committee.

VII.   NON-CONSENT ITEMS (Continued)

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

Yes: Durazo, Green, Martin, Martinez, Mi, Moore

Absent: Ginsberg

B.   **Internal Audit Proposed Fiscal Year 2025–2026 Budget Request**
Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: That the Committee approve the Internal Audit Proposed Fiscal Year 2025-2026 Budget Request, and upon approval, direct staff to include it in LACERA's Administrative Budget for Board approval. (Memo dated February 27, 2025)

Mr. Bendall was present to answer questions from the Committee.

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

Yes: Durazo, Green, Martin, Martinez, Mi, Moore

Absent: Ginsberg

C.   **Ethics and Compliance Program Fiscal Year 2025-2026 Budget Request**
Recommendation as submitted by Steven P. Rice, Chief Counsel: The Committee approve the Proposed Ethics and Compliance Program Fiscal Year 2025-2026 Budget Request, and upon approval, direct staff to include it in LACERA's Administrative Budget for approval by the Board of Retirement and Board of Investments.
(Presentation) (Memo dated February 25, 2025)

Mr. Rice was present to answer questions from the Committee.

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

VII.   NON-CONSENT ITEMS (Continued)

Yes: Durazo, Green, Martin, Martinez, Mi, Moore

Absent: Ginsberg

D. **Deputy, Chief Ethics and Compliance Officer, LACERA Proposed Classification and Compensation**

1. Approve establishment of one (1) new non-represented classification and salary range applicable only to LACERA and two (2) ordinance / budgeted designated positions, and refer the classification and salary to the Joint Organizational Governance Committee (JOGC) for review and recommendation to the Board of Retirement and Board of Investments:

New Classification Title	**Salary Schedule**
Deputy, Chief Ethics and Compliance Officer, LACERA	118J

2. Recommend to the JOGC and joint Boards that they direct staff, upon approval by the JOGC and the joint Boards, to submit to the Board of Supervisors the required ordinance language to implement the new LACERA classification and pay range by amending the Los Angeles County Salary Code Sections 6.28.050, 6.127.010, and 6.127.030.
(Memo dated February 20, 2025)

(Trustee Green left the meeting at 9:42 a.m.)

Dr. Ntoya, Ms. Barrett, and Mr. Lugo were present to answer questions from the Committee.

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

Yes: Durazo, Martin, Martinez, Mi, Moore

Absent: Ginsberg, Green

VIII.   REPORTS

    A.   **ACRE Orientation Introduction**
Richard P. Bendall, Chief Audit Executive
(Presentation) (Memo dated February 25, 2025)

    (Trustee Green joined the meeting at 10:10 a.m.)

    Mr. Bendall provided a brief presentation and answered questions from the Committee.

    This item was received and filed.

    B.   **ACRE and Internal Audit Roles, Responsibilities, and Processes**
Leisha E. Collins, Principal Internal Auditor
(Presentation) (Memo dated February 27, 2025)

    Ms. Collins provided a brief presentation and answered questions from the Committee.

    This item was received and filed.

    C.   **Ethics and Compliance – ACRE Roles and Responsibilities**
Allison Barrett, Senior Staff Counsel
(Presentation) (Memo dated February 25, 2025)

    Ms. Barrett provided a brief presentation and answered questions from the Committee.

    This item was received and filed.

    D.   **The Role of Culture and Values in the Work of the ACRE Committee**
Steven P. Rice, Chief Counsel
(Presentation) (Memo dated February 25, 2025)

    Mr. Rice provided a brief presentation. Ms. Ntoya, Ms. Guglielmo, and Messrs. Lugo, Rice and Bendall answered questions from the Committee.

    This item was received and filed.

VIII.   REPORTS (Continued)

E.   **LACERA Risk Management and Internal Audit Risk Assessment**
Richard P. Bendall, Chief Audit Executive
(Presentation) (Memo dated February 25, 2025)

This item will be agendized at the next ACRE meeting.

F.   **Overview of External Financial Audit and Reports and Overview of Actuarial Audit**
Richard P. Bendall, Chief Audit Executive
(Presentation) (Memo dated February 24, 2025)

Ms. Hunt, Ms. Cronk and Mr. Banister provided a brief presentation and answered questions from the Committee.

This item was received and filed.

IX.   CONSULTANT COMMENTS
Larry Jensen, Audit Committee Consultant
(Verbal Presentation)

There was nothing to report.

X.   ITEMS FOR STAFF REVIEW

There was nothing to report.

XI.   ITEMS FOR FUTURE AGENDAS

Trustee Martin requested that a general summary be provided to the committee on employee exit interviews.

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

There was nothing to report.

XIII.   ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 12:30 p.m.

April 7, 2025

TO: Audit, Compliance, Risk, and Ethics Committee
                Debbie Martin (BOI), Chair
                Nicole Mi (BOI), Vice Chair
                Alma K. Martinez (BOI), Secretary
                Nancy Durazo (BOR), Trustee
                Jason Green (BOR), Trustee
                Wayne Moore (BOR), Trustee
                Elizabeth Ginsberg, Ex-Officio

               ACRE Committee Consultant
                Larry Jensen

FROM: Christina Logan
              Principal Internal Auditor

FOR**:**   April 24, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Internal Audit's Roadmap for FYE 2026-2028**

RECOMMENDATION
In accordance with your current ACRE Committee Charter, staff recommends that the ACRE Committee review and approve Internal Audit's Roadmap for FYE 2026-2028.

BACKGROUND
The Institute of Internal Auditors (IIA)'s revised standards, effective January 2025, require the development of an internal audit strategy. Standard 9.2 states, "The chief audit executive (CAE) must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders."[1]

To align with the IIA's standards, while differentiating from LACERA's Strategic Plan, Internal Audit coined the term "Roadmap" to describe its three-year strategic plan to continue maturing and improving. The 2024 ACRE Charter states that the Committee will review and approve the Internal Audit's Three-Year Roadmap (VII. Responsibilities, A.1.d)[2] and the 2024 Internal Audit Charter assigns the CAE the responsibility to develop the roadmap[3].

INTERNAL AUDIT'S ROADMAP
Internal Audit attended several educational sessions, reviewed various Big Four accounting firms' white papers, and discussed approaches with peer pension funds to better understand the requirements and best practices for creating an internal audit strategic plan.

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[1] IIA Global Internal Audit Standards. (2024)
https://www.theiia.org/globalassets/site/standards/editable-versions/globalinternalauditstandards_2024january9_editable.pdf
[2] 2024 ACRE Committee Charter 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee Charter
[3] 2024 Internal Audit Charter Internal Audit Charter

In January 2025, Internal Audit held several discussions to:

- Define our mission and vision statements.
- Understand our role in supporting LACERA's Strategic Plan.
- Perform a divisional SWOT Analysis.

Staff created the Internal Audit Framework for its Roadmap to better align Internal Audit with LACERA's overall goals and emerging risks, while also focusing on enhancing Internal Audit's capabilities and efficiencies.

Under each Internal Audit Strategic Pillar, staff has identified initiatives to help meet each Pillar's objective.

1. **Trusted Advisors –**

    a. Revise the Risk Assessment process to ensure Internal Audit is proactively addressing current risks and threats across the organization.

    b. Promote Internal Audit's Value to help stakeholders understand Internal Audit's role and motivate them to collaborate with us.

2. **Continuous Learners –**

    a. Provide training to enhance knowledge so Internal Audit can address current and emerging risks, including technology, benefits, and investments risks.

    b. Incorporate data analytics into our audit projects to help LACERA make more data-driven decisions and streamline our Audit Process.

3. Risk Consultants –

      a. Formalize the Continuous Audit Process to help Internal Audit detect and respond to emerging risks more promptly.

      b. Develop and provide organizational risk training to help strengthen LACERA's understanding of risks and controls.

Internal Audit reviewed its Roadmap with the Executive Office and incorporated their feedback into the final presentation.

If the Roadmap is approved, the initiatives will be more thoroughly developed and planned out over the three years, and this year's actions will be incorporated into Internal Audit's Annual Audit Plan. We will provide quarterly updates in our Audit Plan Status Update presentation.

CL

Attachment
A: Internal Audit's Roadmap for FYE 2026-2028 Presentation

Internal Audit's Roadmap FYE 2026-2028: Helping Build a Better Tomorrow

Presented by:
Christina Logan
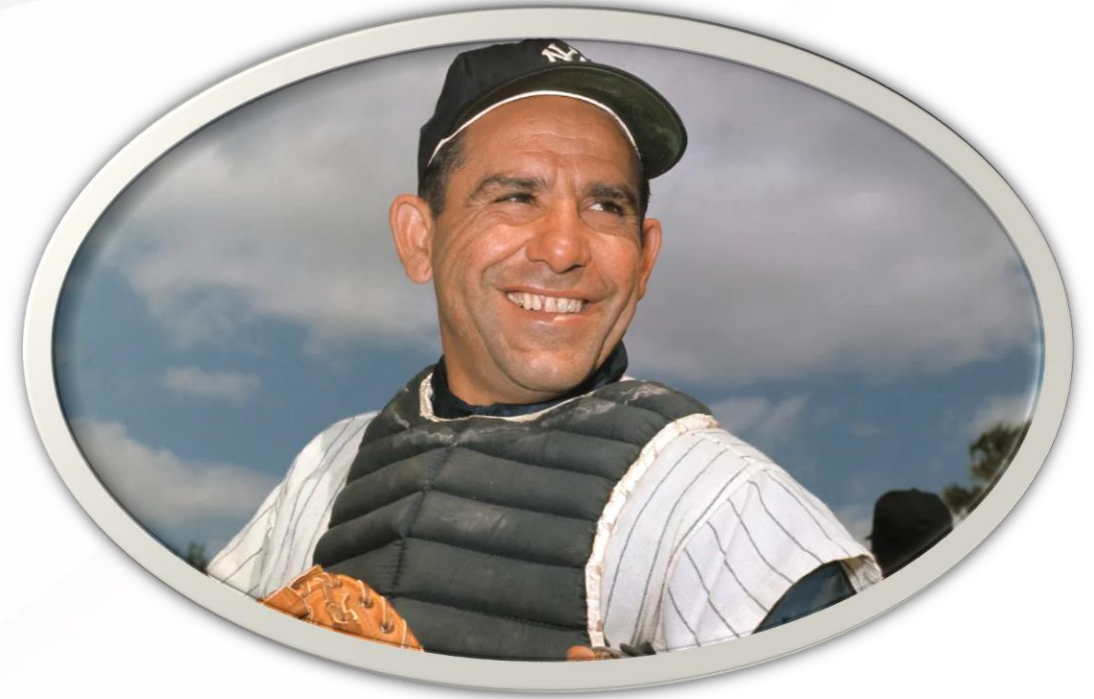Principal Internal Auditor

April 24, 2025

Agenda

1. Our Mission and Vision

2. LACERA's Strategic Plan

3. Divisional SWOT Analysis

4. Internal Audit's Strategic Pillars

"If you don't know where you are going, you might wind up someplace else."
Yogi Berra

Phase 1: Our Mission and Vision

LACERA's Mission:

To produce, protect, and provide the promised benefits to our members.

IA's Mission in Support of LACERA's Mission:
To provide independent assurance and advisory services that add value and improve operations.

LACERA's Vision:

Empowering our members to enjoy a healthy and secure retirement.

IA's Vision in Support of LACERA's Vision:
Serving LACERA as a trusted and insightful advisor.

Phase 2: LACERA's Strategic Plan

Strategic Priority Goals

1 Superior Member Experience
Innovate and continuously improve the member experience

2 Innovation Through Technology
Leverage technological solutions to advance capabilities, increase productivity, and elevate operational maturity

Objectives

1.1 Ensure a consistent omnichannel member experience at every stage of the member's journey
1.2 Enhance member educational content at every stage in their journey and launch LACERA Communication Plan
1.3 Develop, implement, and deploy a digital strategy to better serve our members
1.4 Improve and enhance the retiree healthcare experience

2.1 Promote an enterprise approach to information gathering, integration, analysis, and sharing that fosters decision-making through the adoption of a business intelligence platform
2.2 Implement an enterprise-wide knowledge management system to digitally capture, document, organize, and access critical business knowledge and information

Strategic Priority Goals

3 Investing in People
Attract, motivate, hire, and retain a highly engaged and skilled workforce

4 Compliance and Enterprise Risk Management
Adopt and implement compliance and enterprise risk frameworks aimed at facilitating strengthened governance around risk management and compliance
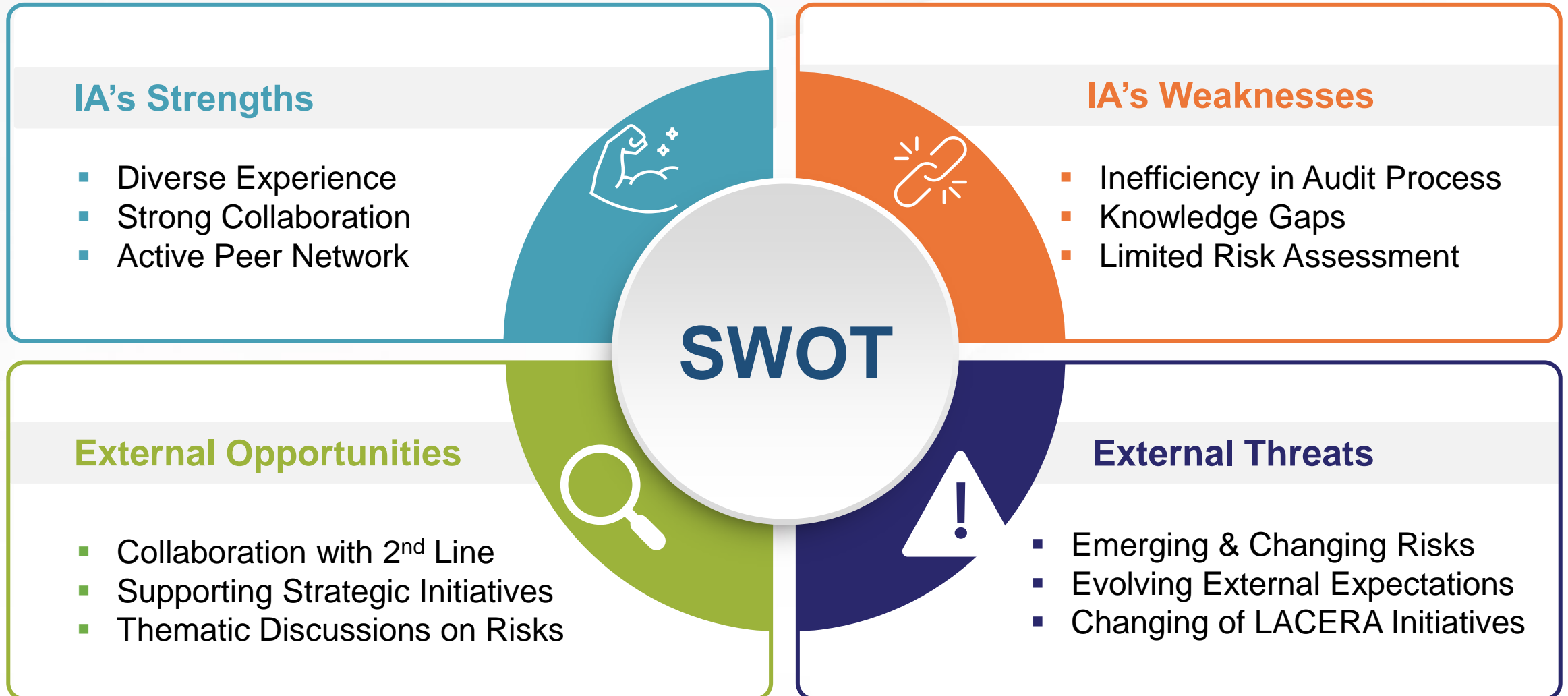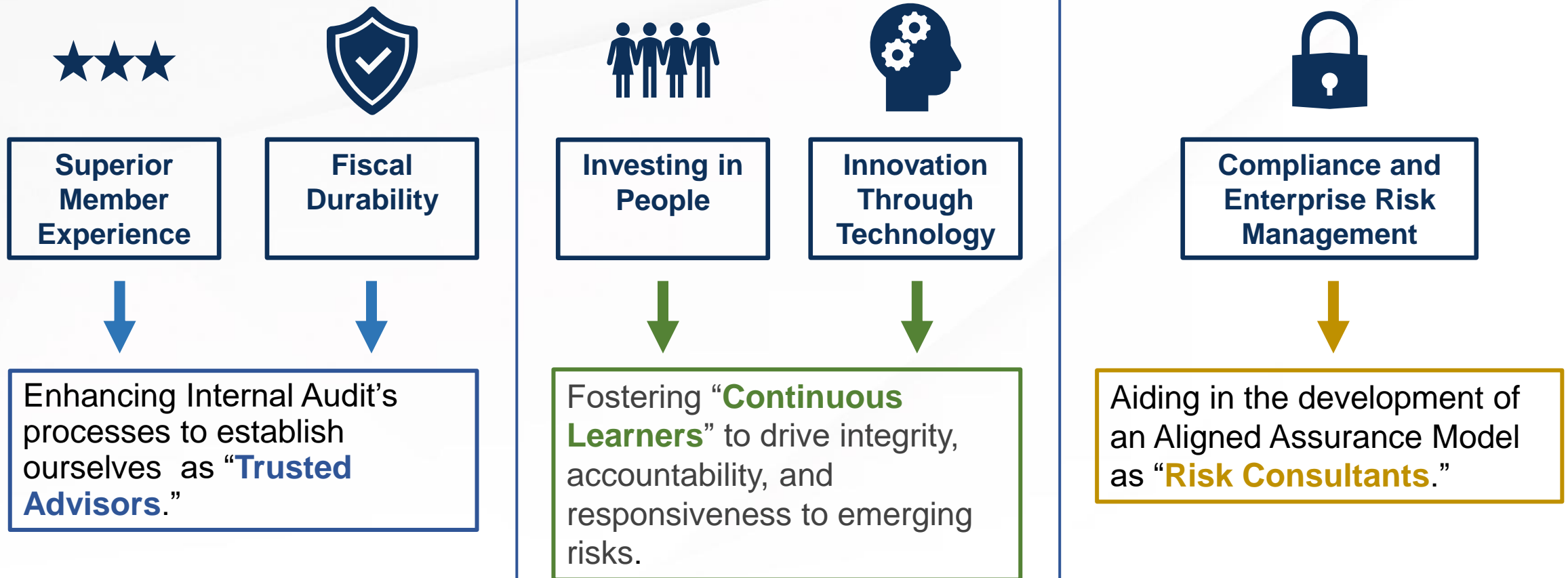
5 Fiscal Durability
Exercise care and prudence in managing our resources and fund assets

Objectives

3.1 Develop and implement a framework aimed at promoting and embracing diversity, equity, and inclusion (DEI)
3.2 Develop enterprise-wide training and development programs designed to support and encourage employee growth and development
3.3 Improve and simplify the hiring process, aimed at building a solid foundation for succession planning

4.1 Develop an enterprise compliance plan and program to ensure adherence to established processes, procedures, policies, and governing rules and regulations
4.2 Implement a comprehensive enterprise risk management framework and structure to facilitate stronger organizational risk management

5.1 Develop organizational tools to support enterprise-wide fiscal responsibility
5.2 Support the LACERA Investment Office in implementing and achieving the BOI's Strategic Plan goals
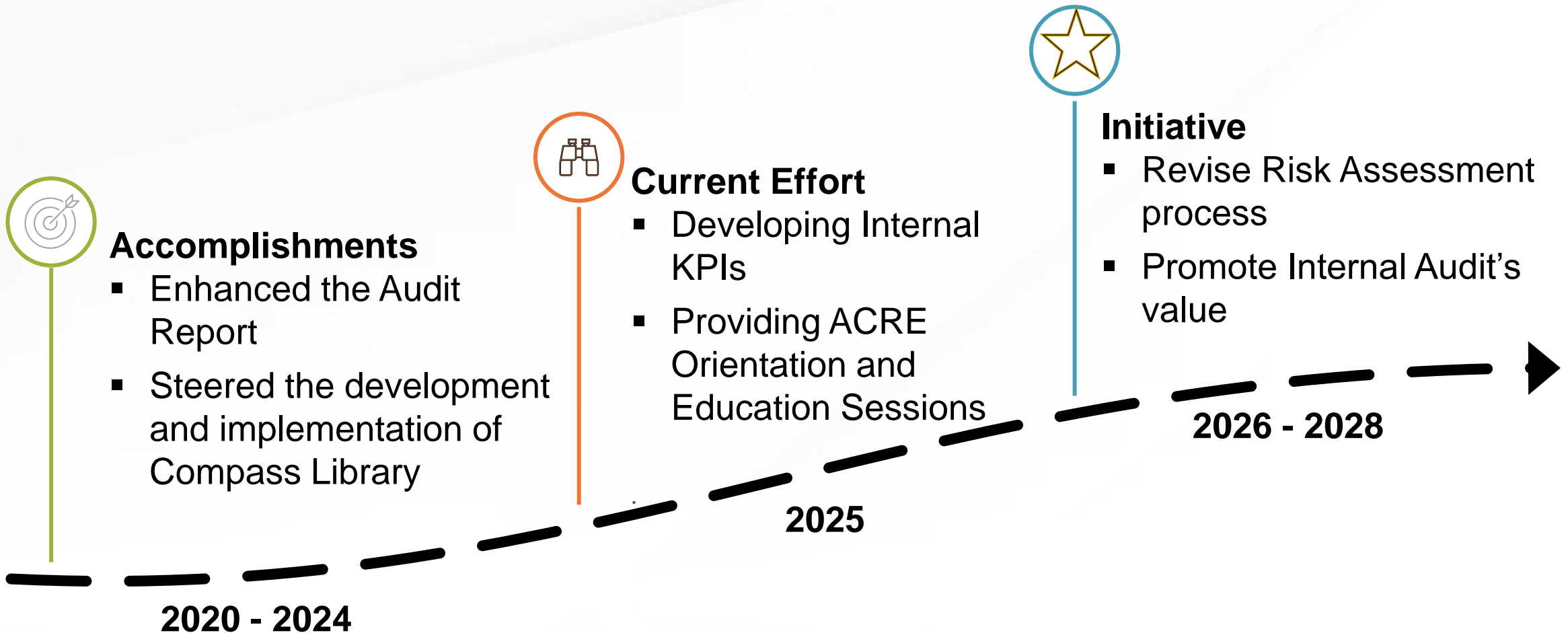
Phase 3: Our Divisional SWOT Analysis

IA's Strengths

- Diverse Experience
- Strong Collaboration
- Active Peer Network

IA's Weaknesses

- Inefficiency in Audit Process
- Knowledge Gaps
- Limited Risk Assessment

SWOT

External Opportunities

- Collaboration with 2nd Line
- Supporting Strategic Initiatives
- Thematic Discussions on Risks

External Threats

- Emerging & Changing Risks
- Evolving External Expectations
- Changing of LACERA Initiatives

Phase 4: Mapped Out IA's Strategic Pillars

Superior Member Experience	Fiscal Durability	Investing in People	Innovation Through Technology	Compliance and Enterprise Risk Management

Enhancing Internal Audit's processes to establish ourselves as "**Trusted Advisors**."

Fostering "**Continuous Learners**" to drive integrity, accountability, and responsiveness to emerging risks.

Aiding in the development of an Aligned Assurance Model as "**Risk Consultants**."

Strategic Pillar: Trusted Advisors

Enhancing Internal Audit's processes to establish ourselves as "Trusted Advisors."

Accomplishments
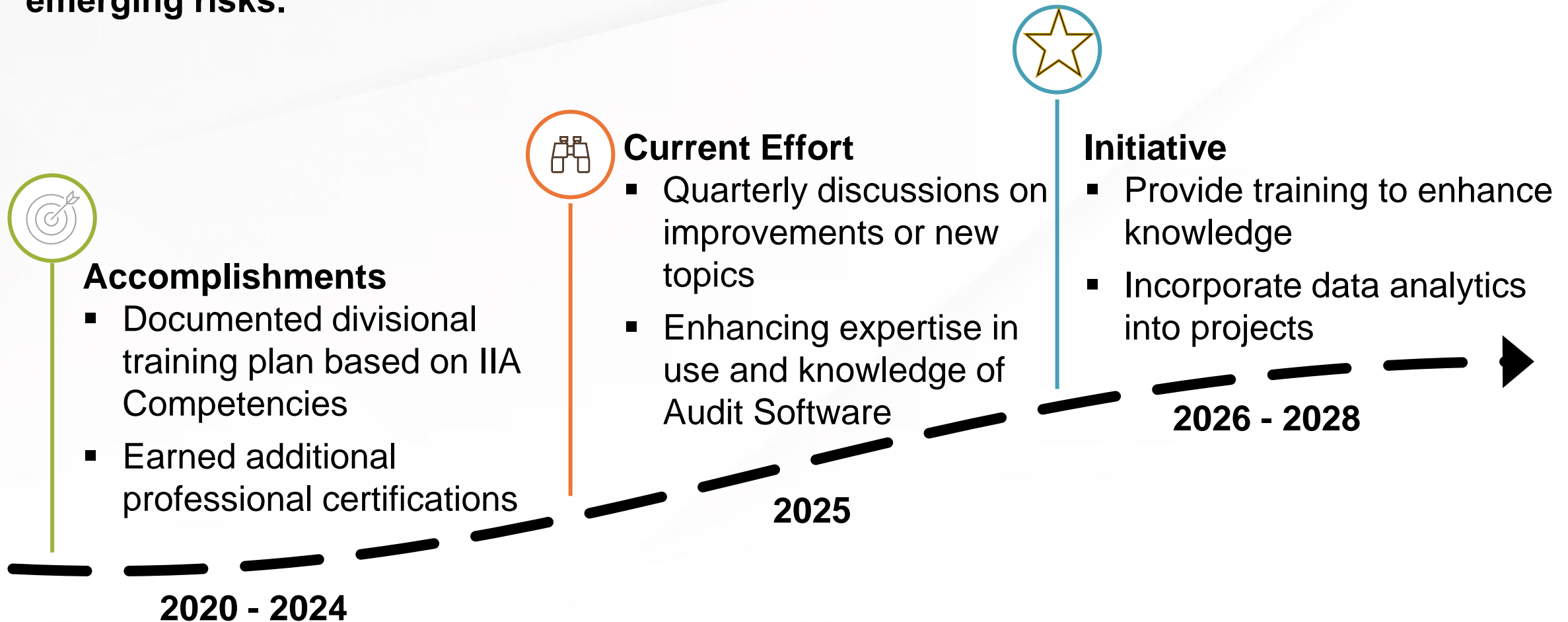- Enhanced the Audit Report
- Steered the development and implementation of Compass Library

2020 - 2024

Current Effort
- Developing Internal KPIs
- Providing ACRE Orientation and Education Sessions

2025

Initiative
- Revise Risk Assessment process
- Promote Internal Audit's value

2026 - 2028

Strategic Pillar: Continuous Learners

Fostering "Continuous Learners" to drive integrity, accountability, and responsiveness to emerging risks.

Current Effort
- Quarterly discussions on improvements or new topics
- Enhancing expertise in use and knowledge of Audit Software

Initiative
- Provide training to enhance knowledge
- Incorporate data analytics into projects

2026 - 2028

Accomplishments
- Documented divisional training plan based on IIA Competencies
- Earned additional professional certifications

2025

2020 - 2024

Strategic Pillar: Risk Consultants

Aiding in the development of an Aligned Assurance Model as "Risk Consultants."

Accomplishments
- Completed IIA's Enterprise Risk Mgmt (ERM) Training
- Participated in ERM Conferences

2020 - 2024

Current Effort
- Collaborating with Ethics and Compliance on aligned assurance framework
- Creating Aligned Assurance Map

2025

Initiative
- Formalize Continuous Audit process
- Develop and provide organizational risk training

2026 - 2028
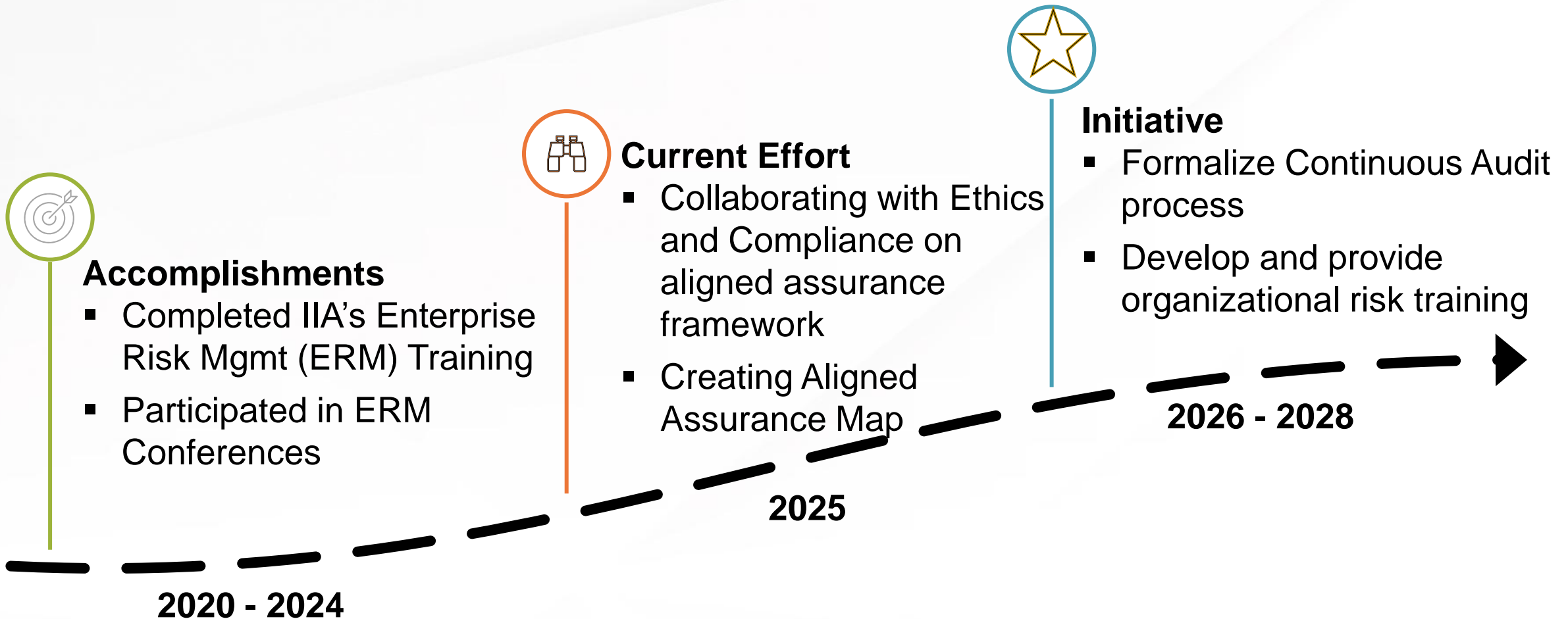
Internal Audit's Framework for Its Three-Year Roadmap

LACERA's Mission:

To produce, protect, and provide the promised benefits to our members.

IA's Mission in Support of LACERA's Mission:
To provide independent assurance and advisory services that add value and improve operations.

LACERA's Vision:

Empowering our members to enjoy a healthy and secure retirement

IA's Vision in Support of LACERA's Vision:
Serving LACERA as a trusted and insightful advisor.

LACERA's Strategic Pillars:

| Superior Member Experience | Fiscal Durability | Investing in People | Innovation Through Technology | Compliance and Enterprise Risk Management |

IA's Strategic Pillars:

Enhancing Internal Audit's processes to establish ourselves as "**Trusted Advisors**."

Fostering "**Continuous Learners**" to drive integrity, accountability, and responsiveness to emerging risks.

Aiding in the development of Aligned Assurance as "**Risk Consultants**."

Recommendation

Internal Audit recommends the Committee approve Internal Audit's Roadmap (FYE 2026-2028)

April 7, 2025

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
                Debbie Martin (BOI), Chair
                Nicole Mi (BOI), Vice Chair
                Alma K. Martinez (BOI), Secretary
                Nancy Durazo (BOR), Trustee
                Jason Green (BOR), Trustee
                Wayne Moore (BOR), Trustee
                Elizabeth Ginsberg, Ex-Officio

                ACRE Committee Consultant
                Larry Jensen

FROM: Kristina Sun *KS*
                Senior Internal Auditor

FOR**:**   April 24, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Request for Proposal - Financial Auditor**

RECOMMENDATION
Internal Audit recommends the ACRE Committee approve the proposed minimum qualifications and search criteria for a Financial Auditor Request for Proposal (RFP) for five fiscal years (FY 2026 – FY 2030) with an option to extend for two additional one-year terms.

BACKGROUND
California Government Code Sections 31593 and 31598 require that LACERA prepare annual financial statements in accordance with generally accepted accounting principles[1] and may retain a certified public accounting firm to perform an annual audit to "*address the financial condition of the retirement system, internal accounting controls, and compliance with applicable laws and regulations*"[2]. In accordance with the ACRE Committee Charter[3], the ACRE Committee is responsible for approving the appointment and compensation of a Financial Auditor hired to perform an independent audit of LACERA's financial statements.

DISCUSSION
At the March 2023 ACRE Committee meeting, the Committee selected Plante Moran, PLLC as LACERA's external financial auditor and approved entering into a contract to provide audit services for fiscal years ended (FYE) June 30, 2023 – 2025, with two optional one-year extensions. During the discussion, the Committee acknowledged that if the contract were renewed and the two one-year extensions were executed, Plante Moran would have served as LACERA's external financial auditor for over ten years. While the Committee had no concerns about Plante Moran's performance, they generally felt that a long tenure hinders the ability to provide a fresh perspective. Therefore, the Committee strongly encouraged staff to start planning a subsequent RFP to avoid executing the two one-year extensions. With the Committee's directive, Internal Audit began discussions with the Financial and Accounting Services Division (FASD) and it was determined conducting the RFP during this current fiscal year (FY 2025) was optimal due to the timing of actuarial work.

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[1] California Government Code *Section 31598.* https://california.public.law/codes/ca_gov't_code_section_31598. (Accessed 2025).

[2] California Government Code *Section 31593.* https://california.public.law/codes/ca_gov't_code_section_31593. (Accessed 2025).

[3] 2024 ACRE Committee Charter. *Section VII. Responsibilities, A.2.a.*

Figure 1 shows a timeline of LACERA's financial statement auditors from inception to now. LACERA has engaged with four financial statement auditors in the last 40+ years.
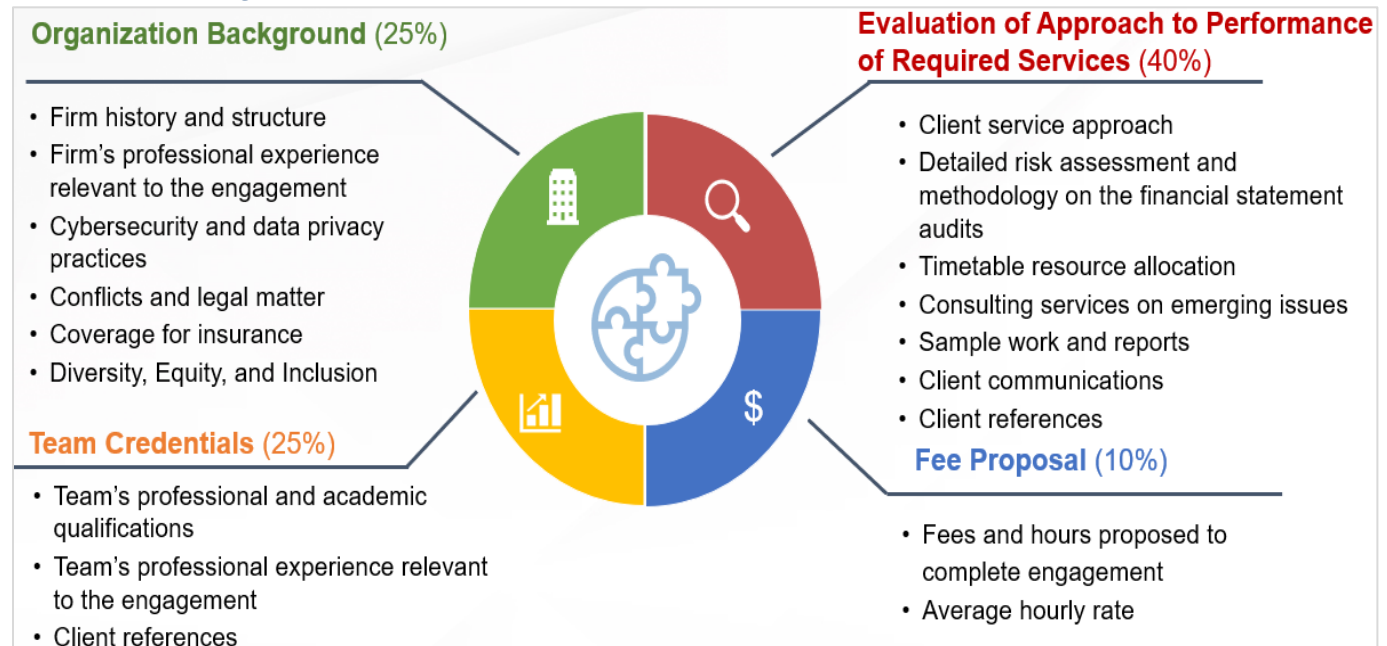

Figure 1: History of LACERA's Financial Statement Auditors
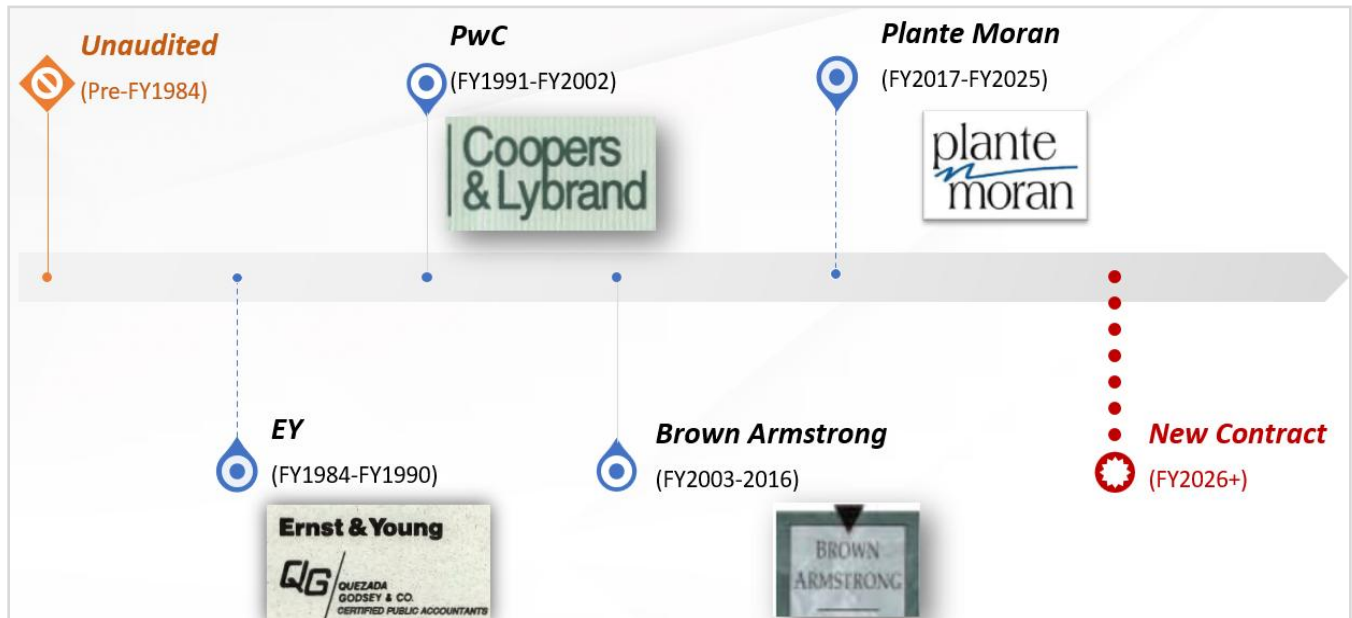
PROPOSED SEARCH CRITERIA

We developed the proposed search criteria for an external financial statement auditor Request for Proposal (RFP) for minimum qualifications (MQs). The responding firms must certify that they meet the MQs by completing the *Minimum Qualifications Certification* form included as **Attachment B**. Furthermore, we developed the evaluation criteria by allocating 100 points to four criteria: organization background (25%); team credentials (25%); evaluation of approach to performance of required services (40%); and fee proposal (10%). Figure 2 provides a detailed breakdown of each criterion and the sub-categories.

Figure 2: Evaluation Criteria for the Financial Statement Auditor RFP

Organization Background (25%)
- Firm history and structure
- Firm's professional experience relevant to the engagement
- Cybersecurity and data privacy practices
- Conflicts and legal matter
- Coverage for insurance
- Diversity, Equity, and Inclusion

Team Credentials (25%)
- Team's professional and academic qualifications
- Team's professional experience relevant to the engagement
- Client references

Evaluation of Approach to Performance of Required Services (40%)
- Client service approach
- Detailed risk assessment and methodology on the financial statement audits
- Timetable resource allocation
- Consulting services on emerging issues
- Sample work and reports
- Client communications
- Client references

Fee Proposal (10%)
- Fees and hours proposed to complete engagement
- Average hourly rate

CONCLUSION

With the approval of the ACRE Committee, Internal Audit plans to release the RFP for a Financial Auditor by April 30, 2025. Based on the Evaluation Team's assessment of the proposals, we will invite the top firms to be interviewed at the August 2025 ACRE Committee meeting and request the Committee to select a firm.

Attachments

A: Request for Proposal – Financial Auditor (Presentation)
B: Minimum Qualifications Certification

KS

Request for Proposal - Financial Auditor

Presented by

Kristina Sun, Senior Internal Auditor

Recommendation and Background

Recommendation

- Approve the proposed minimum qualifications and search criteria for a Financial Auditor Request for Proposal (RFP) for five fiscal years (FY 2026 – FY 2030) with an option to extend for two additional one-year terms.

Background

- LACERA's fundamental financial objective and mission is to produce, protect, and provide the promised benefits to its members. This search aligns with LACERA's strategic plan for fiscal durability by exercising care in managing resources to ensure the long-term soundness of LACERA's retirement pension (Pension Trust) and Los Angeles County's Other Post-Employment Benefits (OPEB) Program (OPEB Trust and OPEB Custodial Fund).

- The ACRE Committee (Committee) Charter assigns the Committee the responsibility to approve the appointment and compensation of an independent external Financial Auditor, which is hired to perform an independent audit of LACERA's financial statements. LACERA's Financial Auditor must not perform any work for the County of Los Angeles, LACERA's plan sponsor, during the potential future term of an agreement with LACERA.

- LACERA's agreement with Plante Moran, the current Financial Auditor, concludes with the completion of the financial statement audit for Fiscal Year Ended June 30, 2025.

ACRE Committee Oversight of a Financial Auditor

The ACRE Committee should look to maximize the value from the external financial auditor as part of its oversight.

Helping protect auditor independence

Going beyond required auditor communications

Assessing the performance of the auditor

PwC's Governance Insights Center | July 2024

Overseeing the external auditors

How the audit committee can effectively oversee external auditors during evolving times

History of LACERA's Financial Auditors

Unaudited
(Pre-FY1984)

PwC
(FY1991-FY2002)

Plante Moran
(FY2017-FY2025)

EY
(FY1984-FY1990)

Brown Armstrong
(FY2003-2016)

New Contract
(FY2026+)
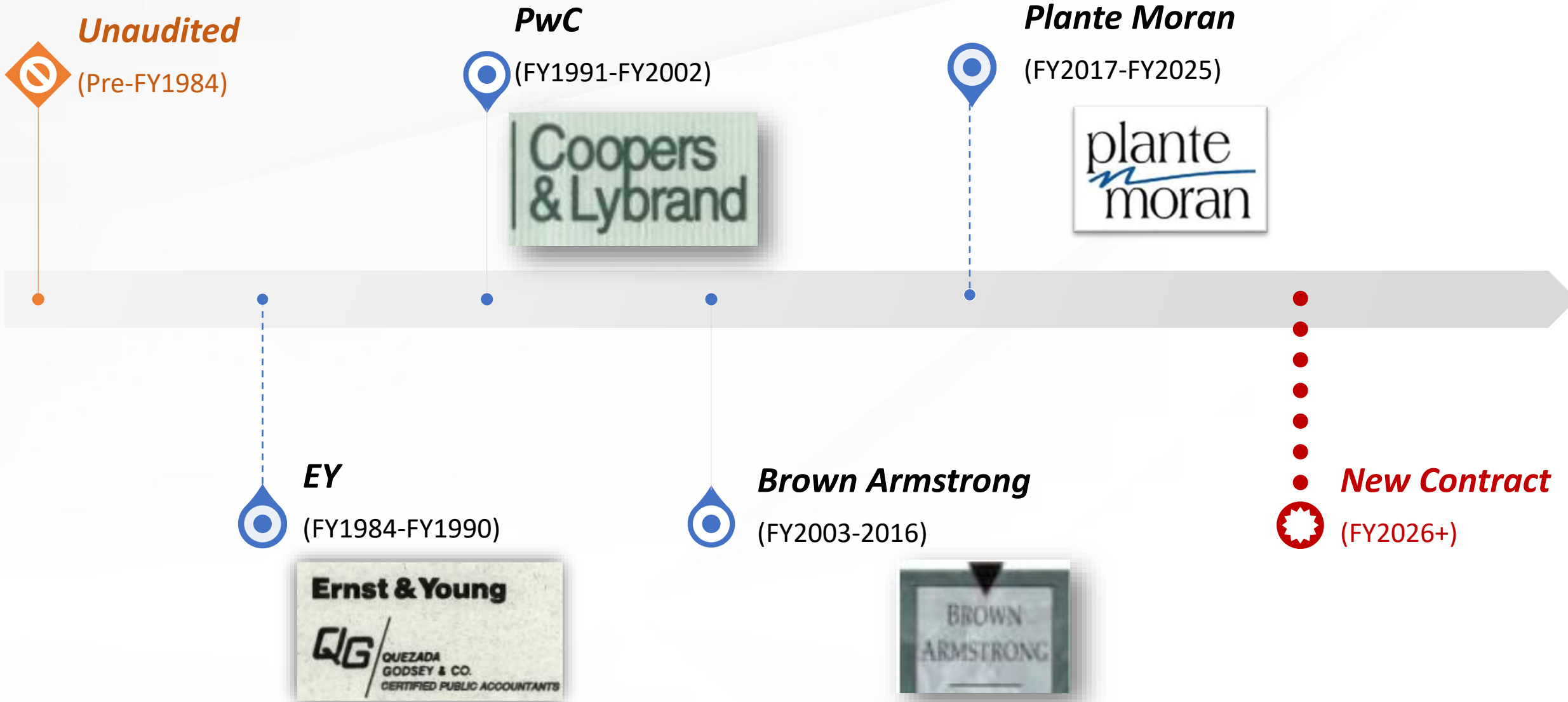
Professional Auditing Standards

The selected Financial Auditor shall utilize all applicable components of professional standards in auditing, preparing and reporting on the financial statements of LACERA, including but not limited to, the following:

- U.S. Generally Accepted Auditing Standards (GAAS)

- U.S. Generally Accepted Accounting Principles (GAAP)

- Generally Accepted Government Auditing Standards (GAGAS)

- American Institute of Certified Public Accountants (AICPA) Standards

- California State Controller's "*Minimum Audit Requirements and Reporting Guidelines for Public Retirement Systems*"

Scope of Services Overview – Assurance & Attestation

1. Financial Statement Auditing Services

- Perform an audit and express an opinion on the fair presentation of LACERA's annual financial statements, including the Pension Trust, the OPEB Trust, and the OPEB Custodial Fund.

- Perform an audit and express an opinion on the fair presentation of the schedule of changes in fiduciary net position by employer for Los Angeles County's portion of the OPEB Trust.

- Perform testing on a sample disability retirement request to ensure the processes and related Board determinations are compliant with Board policies. Provide a written report summarizing work performed and findings.

- Present audit results to the Audit, Compliance, Risk, and Ethics (ACRE) Committee.

2. GASB Disclosure Auditing Services

- Perform an audit of schedules related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and express an opinion on the fair presentation of these schedules.

- Document the results in a written report.

Scope of Services Overview – Assurance & Attestation

3. Financial Statement Advisory Services

- Review the Annual Comprehensive Financial Report against the guidelines for the Certificate in Excellence in Financial Reporting from the Governmental Finance Officers Association (GFOA).

- Provide educational training on financial statements related topics to ACRE and LACERA staff, as needed.

- Proactively evaluate and provide ACRE and LACERA staff with timely information on new developments, trends, or changes in the auditing and/or financial accounting standards relevant to LACERA, as needed.

4. LACERA Initial Readiness Assessment Review

- Review and evaluate LACERA's internal controls over financial reporting using the COSO framework and provide feedback on identified concerns.

- Obtain and document an understanding of key accounting system's Information Technology General Controls and Service Organizations.

- Identify value-added services that the audit firm believes are important for the transition.

5. Special Ad-hoc Auditing Services

- Perform special auditing projects as requested and defined by LACERA.

Scope of Services Overview – Consulting

1. Non-attestation Consulting Services

- Provide financial accounting consultation services to LACERA management on any technical, policy, or plan administration related to the Retirement Plan or OPEB during the course of operations.

- Provide educational training on financial accounting to LACERA management on an as needed basis.

- Proactively evaluate and provide LACERA management with timely information on new developments, trends, or changes in the financial accounting standards relevant to LACERA.

2. Special Ad-hoc Consulting Services

- Perform special consulting projects as requested and defined by LACERA.

Auditor Transition Timeline

FYE 2025

- **Financial Statement Auditing Services**
- **GASB Disclosure Auditing Services**

FYE 2026

- LACERA Initial Readiness Assessment Review
- Financial Statement Auditing Services
- GASB Disclosure Auditing Services

FYE 2027 and beyond

- **Financial Statement Auditing**
- **GASB Disclosure Auditing Services**

Plante Moran (PM)

Transition to Successor Auditor

Successor Auditor

Note: Fiscal Year End (FYE) refers to the financial statement audit work related to the fiscal year end date. For example, FYE 2025 refers to the 6/30/2025 financial statement audit work performed in the subsequent period from July 1, 2025 to October 31, 2025.

Proposed Minimum Qualifications – Firms

In order to be eligible, the responding firm must meet the following Minimum Qualifications (MQs):

➢ Established office in the United States.

➢ Registered and active with the California Board of Accountancy (CBA).

➢ Professional CPA firm providing audit and other attestation services.

➢ In the last 5 years, conducted at least 2 audits of defined benefit (DB) pension plans with total assets that exceeded $10 billion at the time of the audit, with multiple diverse retiree healthcare plans and other agent post-employment benefit (OPEB) plans.

➢ Knowledge and at least 5 years of experience auditing GASB standards 67, 68, 74, and 75.

➢ Knowledge and at least 5 years of experience auditing applicable investment classes.

Proposed Minimum Qualifications – Teams

In order to be eligible, the responding team must meet the following Minimum Qualifications (MQs):

Requirements	Engagement Partner	Engagement Manager	Engagement Supervisor
Location	U.S. based	U.S. based	U.S. based
Years of public accounting experience	10 years	5 years	3 years
Certified Public Accountant (CPA)	California licensed CPA or qualifies under Practice Privilege	CPA license within United States	CPA license within United States
Specific experience related to auditing pension plans	Partner on at least two (2) audits of defined benefit pension plans with assets that exceeded $10 billion at the time of the audit, with multiple diverse retiree healthcare plans and OPEB plans.	Experience must include audits of defined benefit pension plans, multiple diverse health plans, and OPEB plans.	Experience must include audits of defined benefit pension plans, multiple diverse health plans, and OPEB plans.

Proposed Evaluation Criteria

The Evaluation Team will score proposals based on the following categories:

Organization Background (25%)

- Firm's history and structure
- Firm's professional experience relevant to the engagement
- Cybersecurity and data privacy practices
- Conflicts and legal matter
- Coverage for insurance
- Diversity, Equity, and Inclusion

Evaluation of Approach to Performance of Required Services (40%)

- Client service approach
- Detailed risk assessment and methodology on the financial statement audits
- Timetable resource allocation
- Consulting services on emerging issues
- Sample work and reports
- Client communications
- Client references

Team Credentials (25%)

- Team's professional and academic qualifications
- Team's professional experience relevant to the engagement
- Client references

Fee Proposal (10%)

- Fees and hours proposed to complete engagement
- Average hourly rate

Evaluation Process

Proposed Evaluation Team includes multiple division stakeholders within LACERA.

Evaluation Team will conduct the RFP process in two phases:

Phase I: Evaluation of written responses & Phase II: Candidate interviews

Final scores, evaluation review, and finalists will be presented to the ACRE Committee for the selection.

The RFP selection will be made by the ACRE Committee in August 2025.

RFP Search Timeline
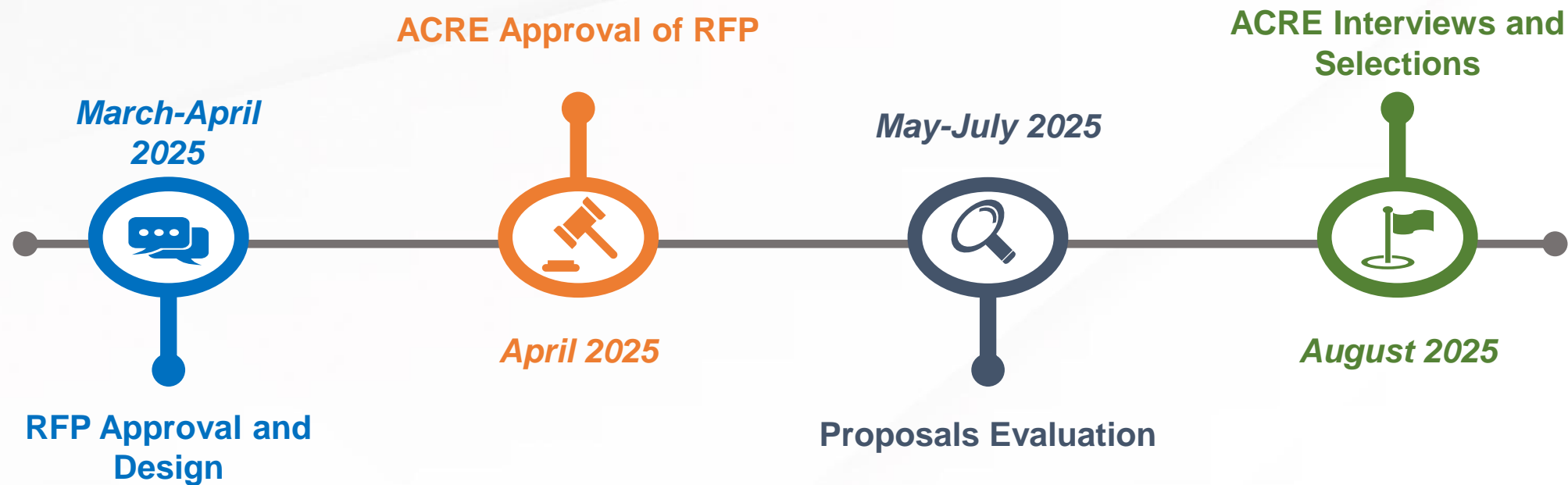
Conclusion

Recommendation

- Approve the proposed minimum qualifications and search criteria for a Financial Auditor Request for Proposal (RFP) for five fiscal years (FY 2026 – FY 2030) with an option to extend for two additional one-year terms.

MINIMUM QUALIFICATIONS CERTIFICATION
(To be signed by an authorized person and returned with the RFP response)

All firms submitting a proposal in response to this RFP are required to meet all of the following minimum qualifications to be given further consideration. All Proposers are required to sign and return this Attachment, along with written evidence of how each qualification is met.

Respondent hereby certifies that it meets all of the following minimum qualifications.

__ Yes   __ No

All firms submitting proposals for the Financial Auditor Search must meet the following criteria:

1. Established office in the United States.
2. Registered and active with the California Board of Accountancy (CBA).
3. Professional CPA firm providing audit and other attestation services.
4. In the last 5 years, conducted at least 2 audits of defined benefit (DB) pension plans with total assets that exceeded $10 billion at the time of the audit, with multiple diverse retiree healthcare plans and other agent post-employment benefit (OPEB) plans.
5. Knowledge and at least 5 years of experience auditing GASB standards 67, 68, 74, and 75.
6. Knowledge and at least 5 years of experience auditing applicable investment classes.

All proposed teams for the Financial Auditor Search must meet the following criteria:

Requirements	Engagement Partner	Engagement Manager	Engagement Supervisor
Location	U.S. based	U.S. based	U.S. based
Years of public accounting experience	10 years	5 years	3 years
Certified Public Accountant (CPA)	California licensed CPA or qualifies under Practice Privilege	CPA license within United States	CPA license within United States
Specific experience related to auditing pension plans	Partner on at least two (2) audits of defined benefit pension plans with assets that exceeded $10 billion at the time of the audit, with multiple diverse retiree healthcare plans and OPEB plans.	Experience must include audits of defined benefit pension plans, multiple diverse health plans, and OPEB plans.	Experience must include audits of defined benefit pension plans, multiple diverse health plans, and OPEB plans.

_____   _____
Authorized Signature   Date

_____
Name and Title

_____
Name of Firm

LACERA

April 7, 2025

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
            Debbie Martin (BOI), Chair
            Nicole Mi (BOI), Vice Chair
            Alma K. Martinez (BOI), Secretary
            Nancy Durazo (BOR), Trustee
            Jason Green (BOR), Trustee
            Wayne Moore (BOR), Trustee
            Elizabeth Ginsberg, Ex-Officio

            ACRE Committee Consultant
                Larry Jensen

FROM: Kristina Sun KS
            Senior Internal Auditor

FOR: April 24, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Advisory Review of the Recruitment and Hiring Process**

RECOMMENDATION
In accordance with your current ACRE Committee Charter, staff recommends that the ACRE Committee review and discuss the following engagement report and take the actions 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

The Audit Plan for Fiscal Year Ending (FYE) 2025, included a re-assessment of the Recruitment and Hiring Process due to:

1. The overall high-risk related to human capital.
2. The recent substantial changes made to LACERA's Recruitment Process.

Additionally, this engagement aligns with LACERA's strategic objective 3.3: *Improve and simplify the hiring process, aimed at building a solid foundation for succession planning*[1].

Overall High-Risk Related to Human Capital
According to the [2023-24 State of the Workplace Report](#) published by the Society of Human Resource Management (SHRM), labor shortages and hiring challenges were two of the greatest challenges facing organizations in the U.S in 2023. The SHRM report found that U.S. workers

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[1] LACERA Board of Retirement 2023–2028 Strategic Plan. (2023).

outside of Human Resources (HR) personnel were "frustrated by staffing shortages and the toll that heavy workloads take on them."[2] Similarly, the Institute of Internal Audit (IIA) identified human capital as one of the highest risks impacting today's organizations in its 2024 *Risk in Focus* report[3].

Vacancies have been consistently high across occupations and wage levels for California public agencies. A UC Berkeley Labor Center study found that the civil service vacancy rates range from 5% to 30% in county and city departments across California in 2022[4]. For reference, Los Angeles County reported that it had a vacancy rate of 14.8% at the end of fiscal year 2021-2022, an increase of 3% from the previous year. In 2023, the City of Los Angeles reported a 17% vacancy rate[5]. Figure 1 illustrates how LACERA compares to other public agencies in California in terms of vacancy rate based on information compiled by Internal Audit.
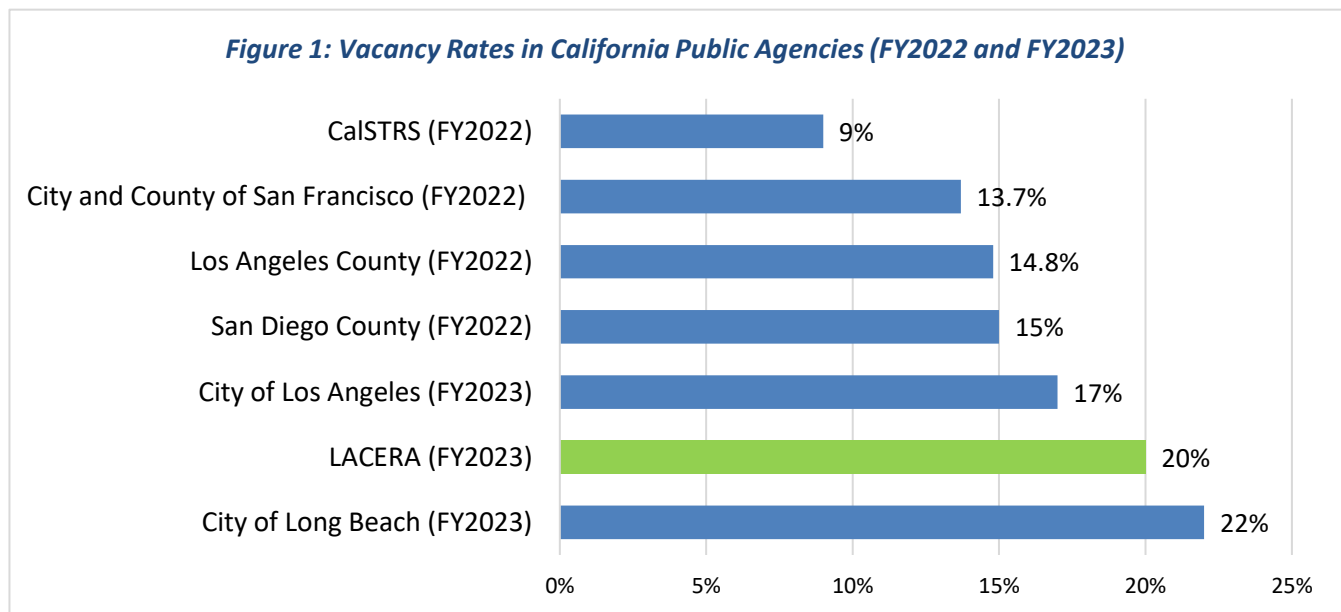
Figure 1: Vacancy Rates in California Public Agencies (FY2022 and FY2023)

Agency	Vacancy Rate
CalSTRS (FY2022)	9%
City and County of San Francisco (FY2022)	13.7%
Los Angeles County (FY2022)	14.8%
San Diego County (FY2022)	15%
City of Los Angeles (FY2023)	17%
LACERA (FY2023)	20%
City of Long Beach (FY2023)	22%

Sources:
- *Vacancy rates for Los Angeles County, San Diego County, and City and County of San Francisco were reported in the UC Berkeley Labor Report – Civil Service Vacancies in California 2022-2023.*
- *Vacancy rate for CalSTRS was calculated based on data reported in the CalSTRS Workforce Plans 2022-2025.*
- *Vacancy rate for LACERA was reported in LACERA's CEO report to the Board of Retirement in 2023.*
- *Vacancy rate for the City of Long Beach was reported by the Long Beach Post in 2023.*

Substantial Changes Made to LACERA's Recruitment Process

In 2022, Internal Audit hired Eide Bailly LLP (Eide Bailly), a third-party external firm, to perform a consulting review of LACERA's recruitment process. Eide Bailly issued the "*Comprehensive Review of Human Resources Recruiting Process*" report that provided three opportunities for

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[2] Society of Human Resource Management. (2024). *State of the Workplace Study 2023-2024.* https://www.shrm.org/content/dam/en/shrm/research/2023-2024-State-of-the-Workplace-Report.pdf

[3] Institute of Internal Audit. (2024). *Global Summary - Risk in Focus 2025 Hot Topics for Internal Auditors.* https://www.theiia.org/globalassets/site/foundation/latest-research-and-products/risk-in-focus/2025/global-summary-risk-in-focus-2025-hot-topics.pdf

[4] UC Berkeley Labor Report. (2023). *Civil Service Vacancies in California 2022-2023.* https://laborcenter.berkeley.edu/wp-content/uploads/2023/12/Civil-Service-Vacancies-in-California-2022-2023.pdf.

[5] Los Angeles City Controller. (2023). *1 Out of 6 Jobs in City of LA Vacant.* https://controller.lacity.gov/press

improvement to enhance the existing processes and achieve efficiency and effectiveness of recruiting objectives.

HR division management has implemented the following changes to address the opportunities for improvements:

1. Developed and disseminated an HR Hiring Playbook, including a workflow diagram and checklists of the process.
2. Expanded the use of Neogov's IT features for recruitment and hiring.
3. Hired four new HR analysts and doubled the size of the Talent Acquisition and Management team.
4. Identified and addressed gaps in the HR work programs for recruitment and hiring.

ENGAGEMENT SCOPE AND METHODOLOGY

Internal Audit performed an advisory review of the recruitment and hiring process. The specific scope of work, agreed upon by Executive and HR management, and Internal Audit was to:

➢ Understand and document the current state of LACERA's recruitment and hiring process;
➢ Understand and document the current vacancy reporting procedures;
➢ Collaborate with HR and Division Managers to identify opportunities for improvements that can simplify the recruitment process.

Internal Audit's methodology for this engagement included:

➢ Reviewing key documentation, including LACERA's Hiring Playbook, Civil Service Rules, and the CEO Vacancy Reports to the Boards;
➢ Conducting interviews with numerous Hiring Managers to gather insights about their experiences;
➢ Researching best practices from reputable sources such as the Society for Human Resources Management (SHRM) and Harvard Business Review (HBR);
➢ Benchmarking LACERA against peer public pension funds and public agencies.

The scope of the engagement was limited to current organizational policies and practices related to the Recruiting and Hiring process from January 2023 through January 2025.

This advisory review was performed in conformance with the IIA's Global Internal Audit Standards.

ENGAGEMENT RESULTS

Internal Audit would like to extend its appreciation to the LACERA Executive Management and the HR Division for collaborating on this advisory engagement.

Because of the collaboration, we were better able to understand the organization's recruitment and hiring process. Internal Audit identified the following strengths in the recruitment and hiring process:

- **People:** The Talent Acquisition & Management team has knowledgeable HR analysts with decades of experience in recruitment and hiring for public agencies.

- **Process:** HR developed the Hiring Playbook in accordance with applicable civil service laws and regulations serving as a guide for the hiring managers to understand and follow along the recruitment and hiring process. Additionally, job analyses are being developed and used by HR as a critical component for examination purposes to identify essential functions and knowledge, skills, abilities, and other characteristics (KSAOs) related classification in conformance with the *Uniform Guidelines for Employee Selection Procedures (29 CFR 1607)*[6][7], California Government Code Section 18930[8], and professional standards from the Society for Industrial and Organizational Psychology[9].

- **Technology:** HR continues to expand the use of Neogov for transparency and accountability: 1) providing hiring managers to access Neogov's Online Hiring Center (OHC) to access recruitment information in real time, 2) documenting each step of the selection process in Neogov.

Although Internal Audit did not identify any material gaps, we provided opportunities to enhance the process based on industry standards and best practices, internal stakeholder feedback, and the prior Eide Bailly report. Below table lists a summary of the key opportunities identified:

Opportunities for Improvements	Areas of Focus	Opportunities for Improvements Identified Are Based on		
		Industry Standards & Best Practices	Internal Stakeholder Feedback	Eide Bailly Report
1) Develop an enterprise-wide workforce plan focused on evaluating employee attrition related to retirement risks and addressing the current vacancy rate.	Process - Business Strategic Alignment	√		√
2) Perform a divisional needs assessment to determine whether additional resources are needed.	People – Adequately Staffed & Trained	√		√
3) Training and routinely educating HR's Talent Acquisition staff on the recruitment and hiring process and best practices.	People - Adequately Staffed & Trained	√	√	

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[6] California Department of Human Resources. (n.d.). *Job Analysis Manual*.
https://www.calhr.ca.gov/Documents/10%206%2020%20Job%20Analysis%20accessible%20version.pdf.
[7] California State Personnel Board. (2015). *Compliance Review Report of the California State Teachers' Retirement Systems*.
https://www.spb.ca.gov/reports/CalSTRS%20Final%20Report.pdf.
[8] California Government Code *Section 18930*.
https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=18930. (Accessed 2025).
[9] Society of Industrial and Organizational Psychology. (2024). *The World of HR Is Changing Rapidly: I-O Psychology Can Help. New SIOP White Paper Examines Value of I-O Psychology - Society for Industrial and Organizational Psychology*

4) Provide educational training to the hiring managers and the Subject Matter Experts (SMEs) on the importance of the job analysis and how it relates to the examination during recruitment.	Process - Feedback and Process Improvement	√	√	
5) Seek feedback from new hires, SMEs, and hiring managers to continuously improve the recruitment and hiring process.	Process - Feedback and Process Improvement	√	√	
6) Structure the Talent & Acquisition team so that one person has direct oversight of the recruiting and hiring process.	People - Defined Roles & Responsibilities	√	√	
7) Utilize technology to integrate HR's fragmented data and databases.	Technology - Data & Systems	√		
8) Develop metrics to track and monitor the recruitment and hiring process.	Technology - Metrics	√	√	

MANAGEMENT COMMENT
Management agrees with the opportunities identified for improving the recruitment and hiring process. HR and Internal Audit Divisions have collaborated on this project to align the recruitment and hiring process with the organization's business needs. We believe that the opportunity for improvement related to workforce planning (listed above) is a strategic recommendation that HR and Executive Management will work on to address vacancies. The current recommendation supersedes the Eide Bailly recommendation since the recruitment operations have changed significantly since the issuance of the Eide Bailly report in 2022. Management will evaluate the required efforts and resources needed to implement the opportunities for improvements.

KS

Attachment
A: Advisory Review of the Recruitment and Hiring Process (Presentation)

Advisory Review of the Recruitment and Hiring Process

Presented by:

Kristina Sun, Senior Internal Auditor

Background and Scope of Work

Background

The Audit Plan for Fiscal Year Ending (FYE) 2025, included a re-assessment of the Recruitment and Hiring Process due to:

1. The overall high-risk related to human capital.

2. The recent substantial changes made to LACERA's Recruitment Process.

Additionally, this engagement aligns with LACERA's strategic objective 3.3: *Improve and simplify the hiring process, aimed at building a solid foundation for succession planning*.

Scope of Work

➢ Understand and document the current state of LACERA's recruitment and hiring process;

➢ Understand and document the current vacancy reporting procedures;

➢ Collaborate with HR and Division Managers to identify opportunities for improvements that can simplify the recruitment process.

The scope of the engagement was limited to current organizational policies and practices related to the Recruiting and Hiring process from January 2023 through January 2025.

Figure 1: Vacancy Rates in California Public Agencies (FY2022 and FY2023)

Sources:
Vacancy rates for Los Angeles County, San Diego County, and City and County of San Francisco were reported in the UC Berkeley Labor Report – Civil Service Vacancies in California 2022-2023.
Vacancy rate for CalSTRS was calculated based on data reported in the CalSTRS Workforce Plans 2022-2025.
Vacancy rate for LACERA was reported in LACERA's CEO report to the Board of Retirement in 2023.
Vacancy rate for the City of Long Beach was reported by the Long Beach Post in 2023.

Additional Considerations

➤ LACERA management is currently evaluating the recruitment and hiring process to enhance its operational functions and data reporting capabilities.

➤ Some vacant positions are filled by temporary staff, contractors, and interns. However, the standard calculation for Vacancy Rate do not take into consideration these non-permanent staff.

$$\text{Vacancy Rate} = \frac{\text{\# of Unfilled Budgeted Positions (excludes temporary staff, contractors, and interns)}}{\text{\# of Total Budgeted Positions}}$$

Internal Audit Observations
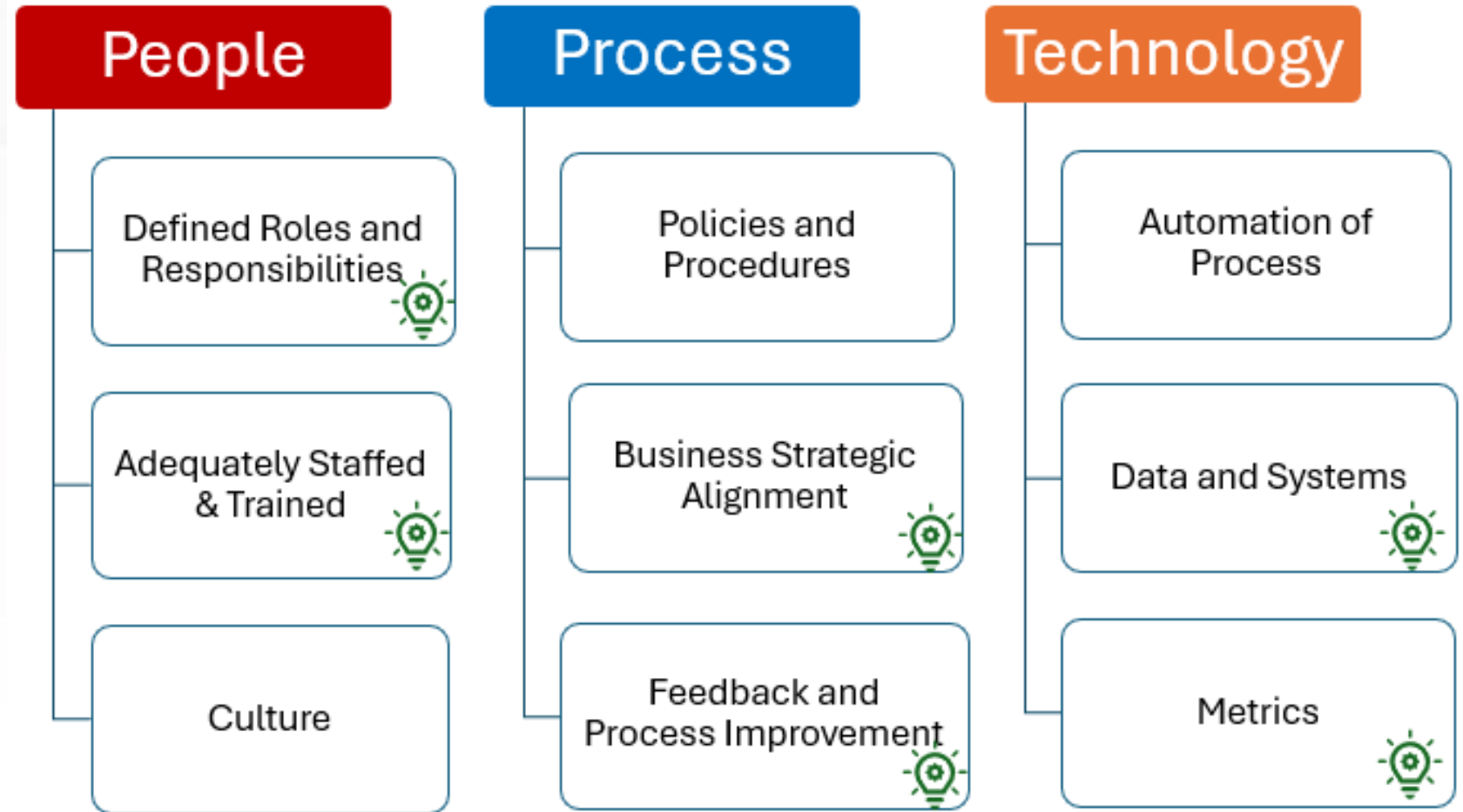
Opportunities for Improvements

Opportunities for Improvements	Areas of Focus	Opportunities for Improvements Identified Are Based on		
		Industry Standards & Best Practices	Internal Stakeholder Feedback	Eide Bailly Report
1) Develop an enterprise-wide workforce plan focused on evaluating employee attrition related to retirement risks and addressing current vacancy rate.	Process - Business Strategic Alignment	√		√
2) Perform a divisional needs assessment to determine whether additional resources are needed.	People – Adequately Staffed & Trained	√		√
3) Training and routinely educating HR's Talent Acquisition staff on the recruitment and hiring process and best practices.	People – Adequately Staffed & Trained	√	√	
4) Provide educational training to the hiring managers and the Subject Matter Experts (SMEs) on the importance of the job analysis and how it relates to the examination during recruitment.	Process - Feedback and Process Improvement	√	√	
5) Seek feedback from new hires, SMEs, and hiring managers to continuously improve the recruitment and hiring process.	Process - Feedback and Process Improvement	√	√	
6) Structure the Talent & Acquisition team so that one person has direct oversight of the recruiting and hiring process.	People - Defined Roles & Responsibilities	√	√	
7) Utilize technology to integrate HR's fragmented data and databases.	Technology - Integration of Data & Systems	√		
8) Develop metrics to track and monitor the recruitment and hiring process.	Technology - Metrics	√	√	

Summary

➢ LACERA management agrees with the opportunities identified for improving the recruitment and hiring process.

➢ LACERA will develop an enterprise-wide workforce plan focused on evaluating employee attrition related to retirement risks and addressing the current vacancy rate.
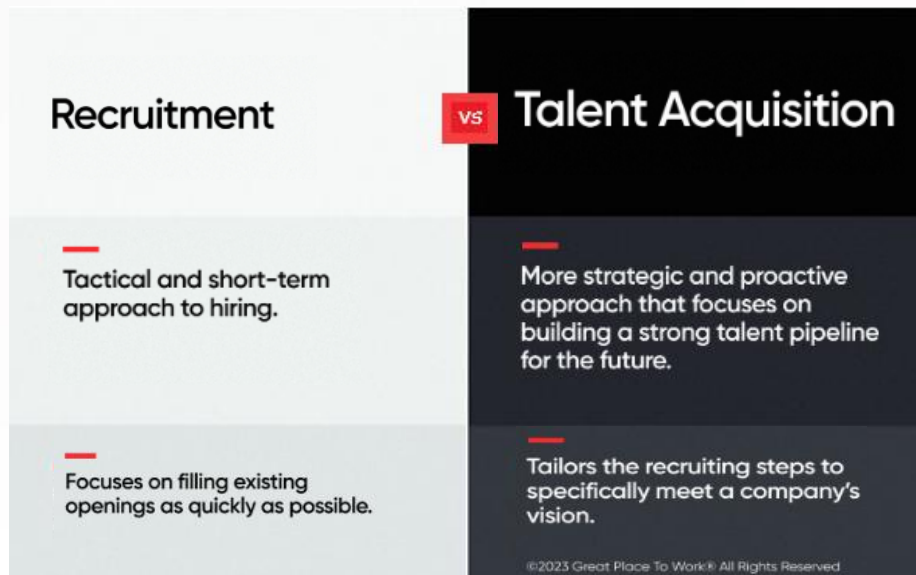
Thank you!

Internal Audit would like thank LACERA Executive Office and the Human Resources Division for their collaboration on this project.

L/.CERA

April 3, 2025

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
                  Debbie Martin (BOI), Chair
                  Nicole Mi (BOI), Vice Chair
                  Alma K. Martinez (BOI), Secretary
                  Nancy Durazo (BOR), Trustee
                  Jason Green (BOR), Trustee
                  Wayne Moore (BOR), Trustee
                  Elizabeth Ginsberg, Ex-Officio

          ACRE Committee Consultant
                  Larry Jensen

FROM: Richard P. Bendall
          Chief Audit Executive

FOR**:**   April 24, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **LACERA Risk Management and Internal Audit Risk Assessment**

BACKGROUND

The ACRE Committee Charter provides that the Committee has responsibility for oversight of Internal Audit, Ethics & Compliance, and Enterprise Risk Management. This presentation reiterates the importance of the Committee understanding the Institute of Internal Auditors (IIA) Three Lines Model and the role of the Committee's oversight of the second and third lines. It also seeks to ensure the Committee understands the difference between risk management, a first line management role and the risk assessment process employed by Internal Audit (the third line function) in developing annual risk-based audit plans.

This presentation will also serve as the kickoff with the ACRE Committee of Internal Audit's annual risk assessment process. We will be seeking input from the Committee on any areas of concern the Committee has for our consideration as we begin our risk assessment process. Our risk assessment process will culminate with a presentation of our draft Fiscal Year 2025-2026 Audit Plan (Plan) to the Committee at the June meeting. At that meeting, we will be seeking the Committee's further input or suggestions, and/or the Committee's approval of the Plan.

Attachments
A: LACERA Risk Management and Internal Audit Risk Assessment Presentation
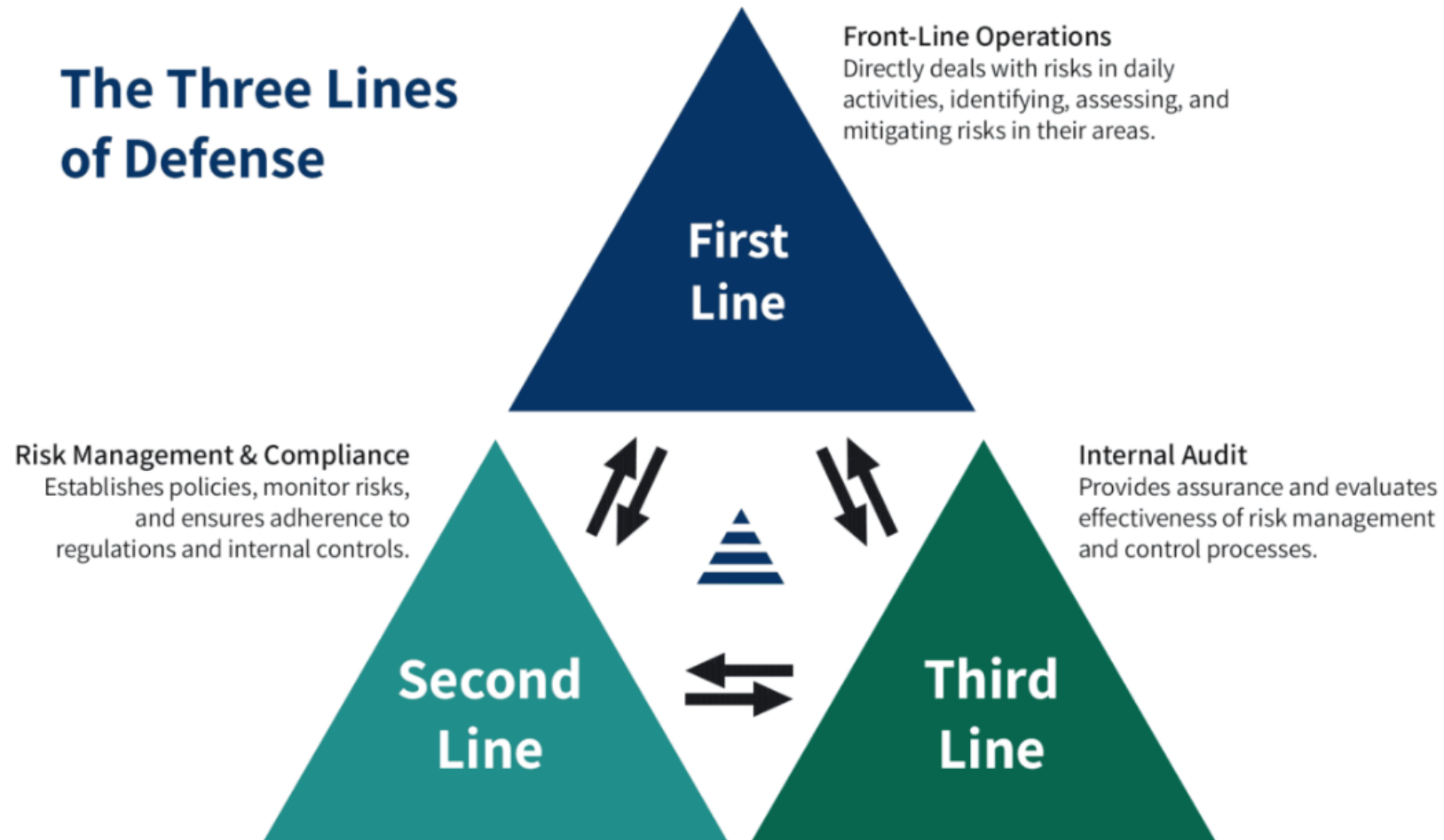
RPB:rb

Agenda

1. The Three Lines of Defense Model

2. First Line - Risk Management

    - Everyday examples
    - At LACERA
        - BOR – Administrative Operations
        - BOI – Investment Operations

3. Second Line

    - Enterprise Risk Management
    - Compliance and Ethics

4. Third Line – Internal Audit (Assurance)

    - Internal Audit Risk Assessment

Risk Management

Managing risks to achieve objectives.

At an organization, such as LACERA, risk management is managing risks to achieve objectives that align with the strategic objectives and direction of the organization.

Risk Management – Daily life

Each of us employ risk management in our daily lives.

- ▪ Brushing our teeth
- ▪ Driving
- ▪ Crossing the road

Evaluating Risk
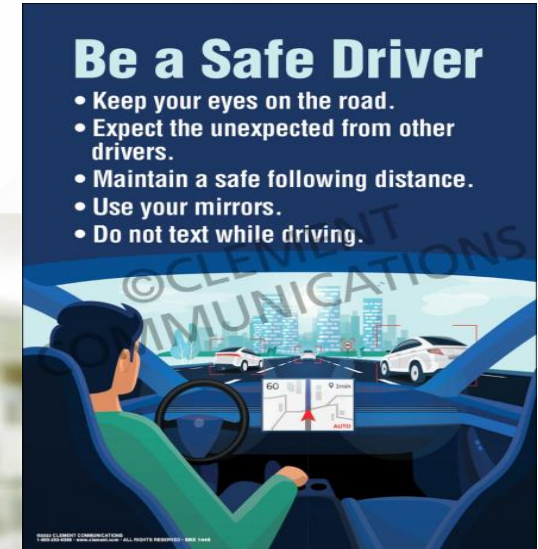
Inherent vs. Residual Risk

Inherent Risk

Controls

Residual Risk

This is the level of risk before any controls are employed to reduce the risk.

Put another way, inherent risk is the level of risk in place to achieve an entity's objectives before actions to mitigate the likelihood and/or impact of the risk.

This is level of risk after controls are employed to mitigate the inherent risk.

LACERA's Mission

To PRODUCE, PROTECT AND PROVIDE the Promised Benefits

Board of Retirement – First Line

Providing the Promised Benefits (and Protect them)

Member Operations Group (MOG)	Administrative Support Divisions	Hybrid 1st and 2nd Line Divisions
• Member Services • Benefits • Retiree Health Care • Disability Retirement	• Administrative Services • Systems • Financial Accounting Services Division (FASD) • HR • Communications	• Legal • InfoSec • Quality Assurance

BOR – First Line Oversight Role

BOI – First Line Oversight Role
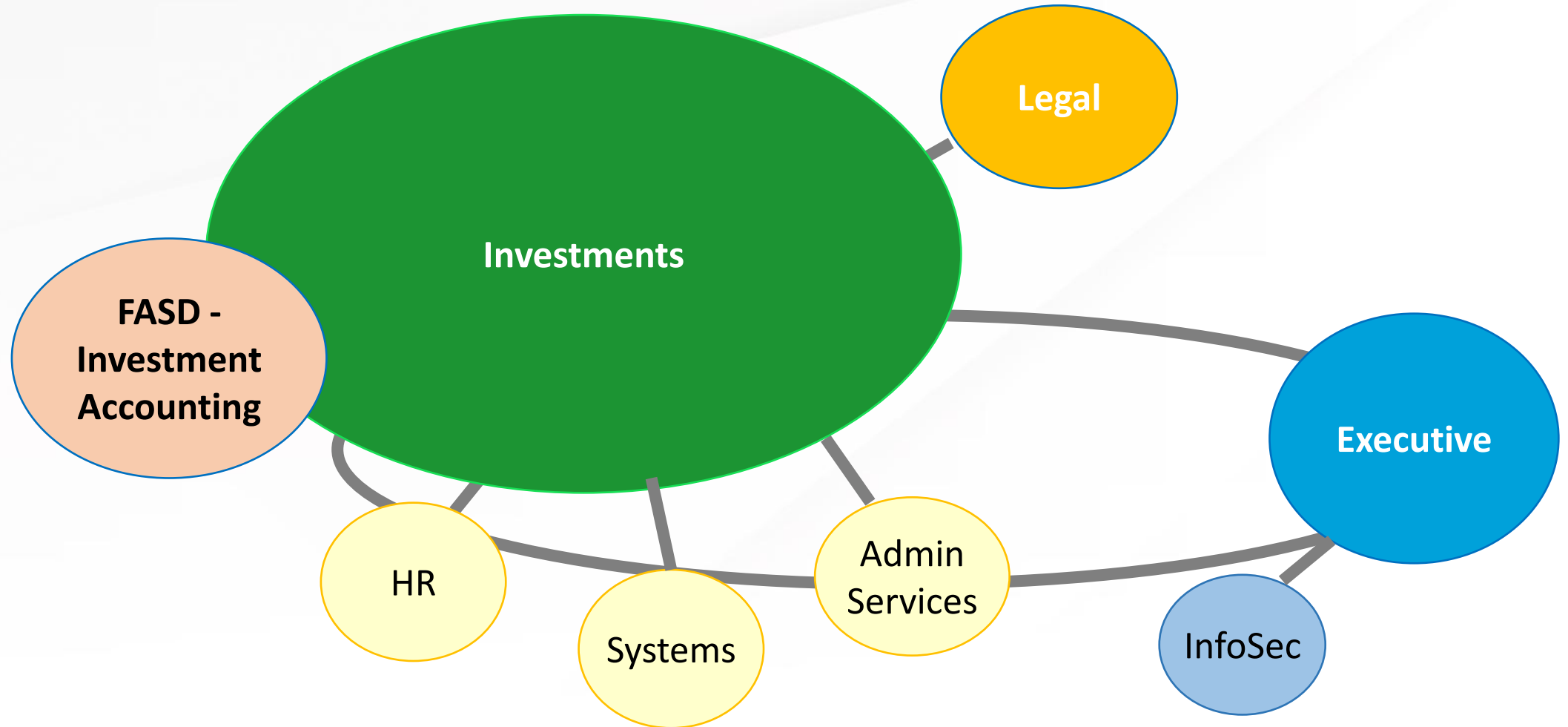
Second Line Functions
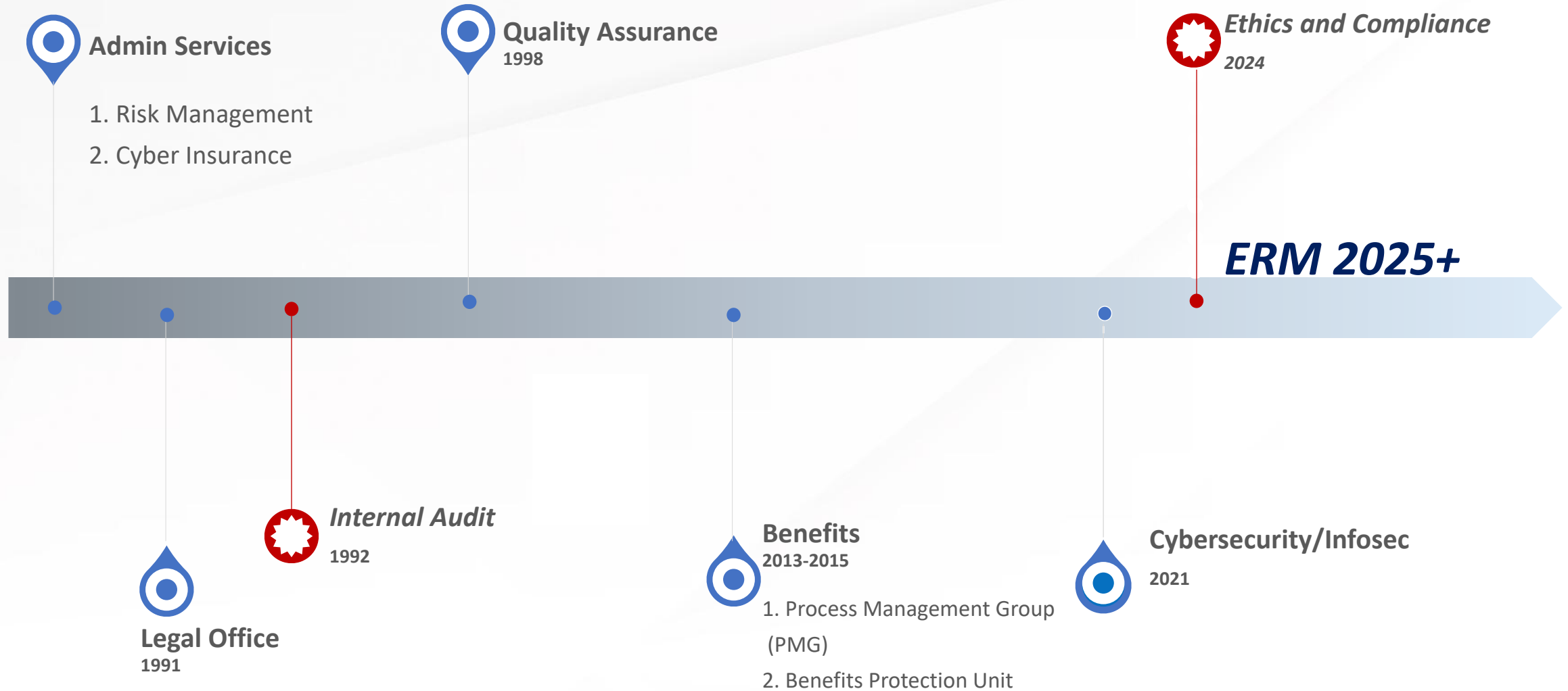
- Two Key Second Line Functions are:

  o Ethics and Compliance

  o Enterprise Risk Management

- However, divisions such as the Legal Office, FASD, Administrative Services and QA also perform second line functions along with their first line functions.

Enterprise Risk Management (ERM)

"A process effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives"

- Committee of Sponsoring Organizations of the Treadway Commission (COSO)

ERM Program

A formal Enterprise Risk Management (ERM) program aims to build a framework and structure around an organizations risk management activities and align risk management across the organization with organizational objectives. Elements of a centralized ERM program:
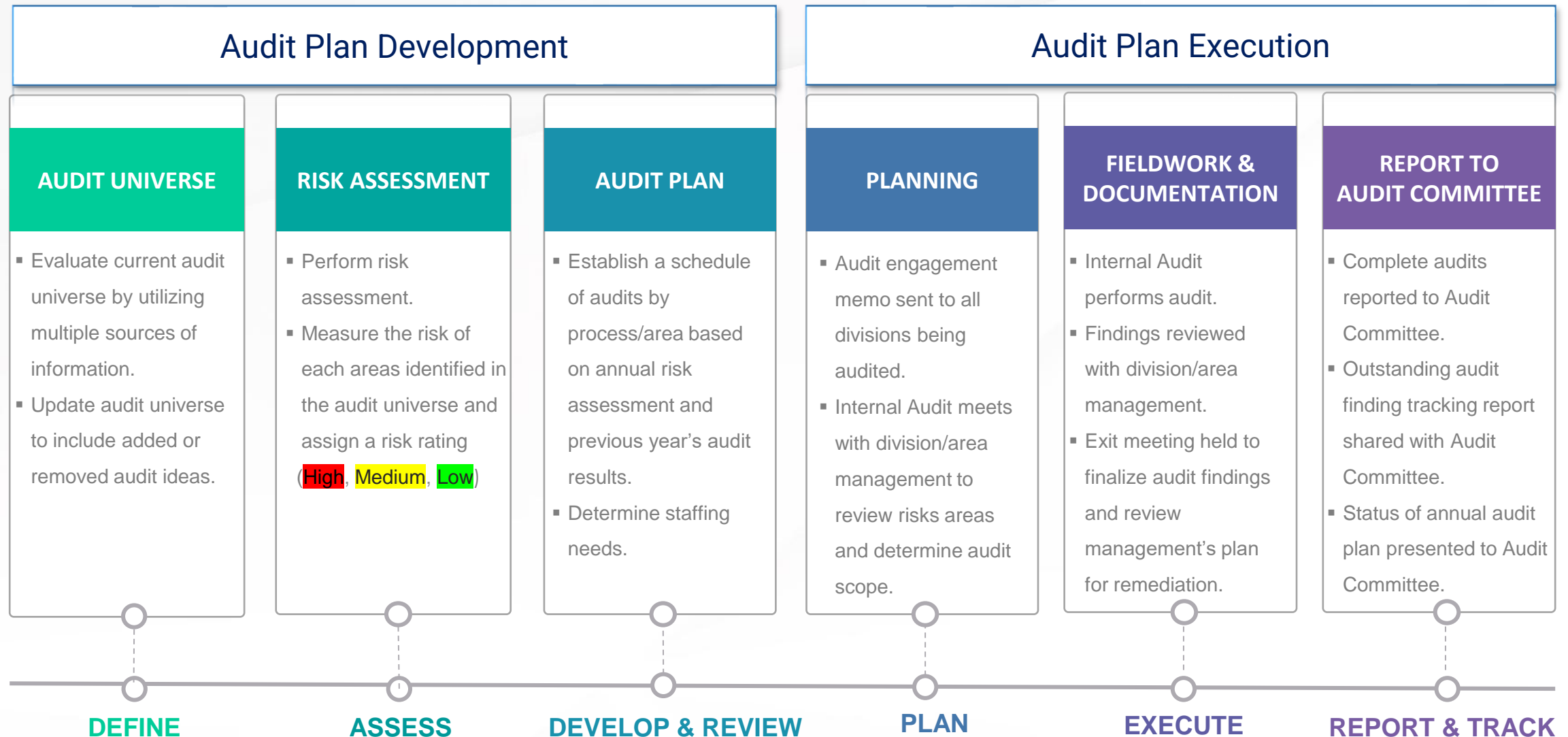- Risk Registers
- Key Risk Indicators
- Divisional Risk Champions
- Risk Appetite
- Emerging Risks
- Dashboards and Reporting
- Alignment with Organizational Strategic Planning

Overview of Internal Audit Process

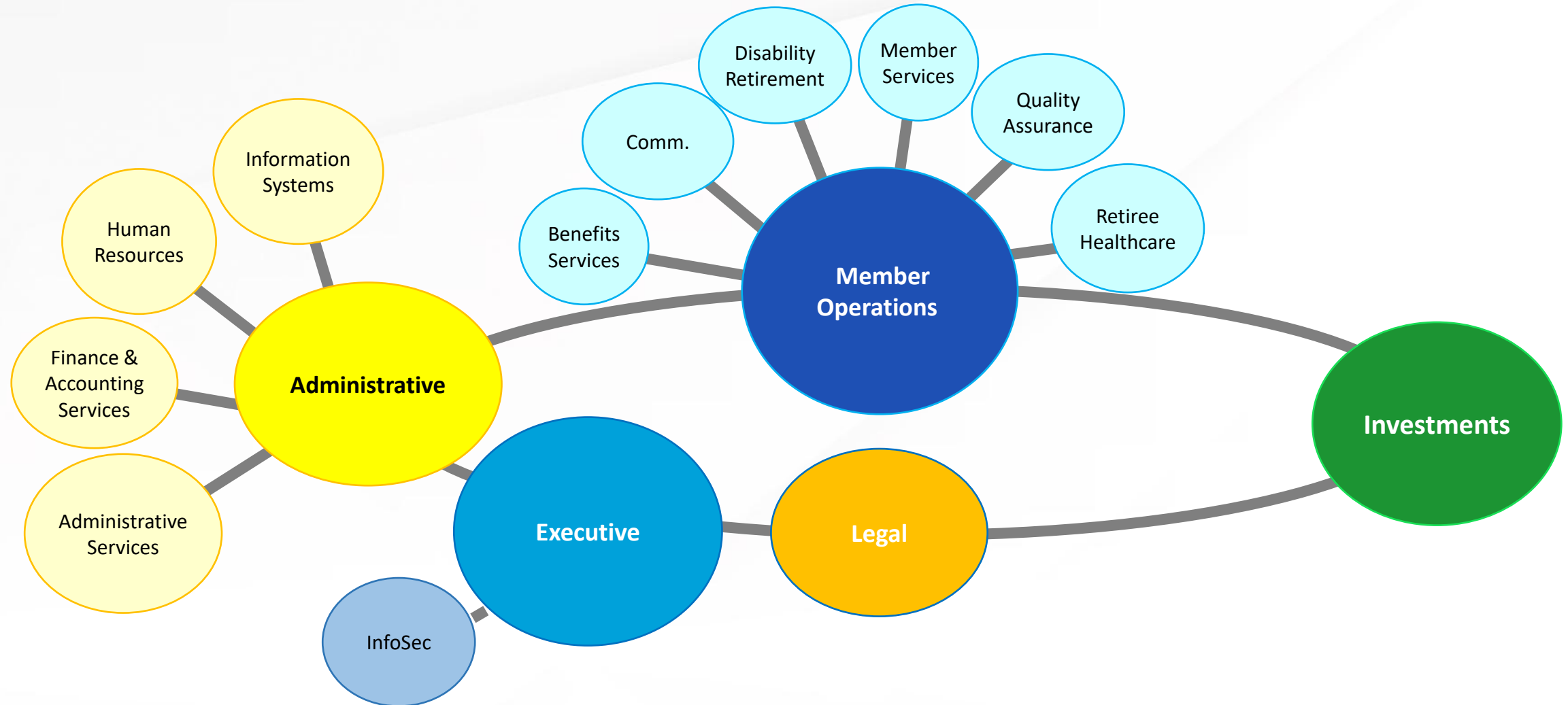## Audit Plan Development

AUDIT UNIVERSE
- Evaluate current audit universe by utilizing multiple sources of information.
- Update audit universe to include added or removed audit ideas.

RISK ASSESSMENT
- Perform risk assessment.
- Measure the risk of each areas identified in the audit universe and assign a risk rating (High, Medium, Low)

AUDIT PLAN
- Establish a schedule of audits by process/area based on annual risk assessment and previous year's audit results.
- Determine staffing needs.

Audit Plan Execution

PLANNING
- Audit engagement memo sent to all divisions being audited.
- Internal Audit meets with division/area management to review risks areas and determine audit scope.

FIELDWORK & DOCUMENTATION
- Internal Audit performs audit.
- Findings reviewed with division/area management.
- Exit meeting held to finalize audit findings and review management's plan for remediation.

REPORT TO AUDIT COMMITTEE
- Complete audits reported to Audit Committee.
- Outstanding audit finding tracking report shared with Audit Committee.
- Status of annual audit plan presented to Audit Committee.

DEFINE — **ASSESS** — **DEVELOP & REVIEW** — **PLAN** — **EXECUTE** — **REPORT & TRACK**

Audit Universe by Organization Structure

Example Exerpt from Audit Universe

2025 FASD Audit Universe

		Prior Audit	Prior Audit Rating	Risk Rating	Engagement Reports/Comments
	GENERAL ACCOUNTING				
2	Child Support Payments				
3	Member Payroll & Tax Payment				
4	Member Healthcare				
5	Treasury Bank Accounts Recon				
6	Member Special Payments				Current Other Value-Added Engagement in Progress
7	Accounts Payable	3/9/2022	N/A	Low	Accounts Payable Audit Report
8	Corporate Credit Cards	8/31/2023	Opp for Improvement	Med	Audit of Corporate Credit Cards
9	Corporate Credit Cards - CEO	3/2/2023	Satisfactory	Low	Review of Chief Executive Officer's Credit Card Expenditures
10	Travel Training Expenses & Reporting	7/11/2019	N/A	NA	Board and Staff Education & Travel Audit
11	Recon Reimbursable Cost (OPEB County Trust Fund)				
12	Check Distributions (add per mtg)	6/24/2021		NA	Title Holding Company (THC) Stale Check Review
13					
	REPORTING AND COMPLIANCE				
	Actuarial Projects & Reporting	12/14/2023	N/A		Consulting on Internal Controls over Financial Reporting - Cash and Treas
	Reporting & Acct Compliance Regulations (add per mtg)				

Annual Audit Planning for FYE 2026

March

Obtain Approval for IA Budget

Obtain ACRE Committee approval of the FY 2026 Internal Audit Budget based on a framework of expected Audit Plan.

June

Obtain ACRE Committee approval of the FY 2026 Audit Plan

- Obtain ACRE Committee and input and approval
- Finalize the Audit Plan

April

Kickoff/Perform Risk Assessment

Perform Risk Assessment:
- Obtain input from ACRE Committee and Executive Office
- Evaluate current risks –external and internal
- Evaluate recent organizational changes
- Evaluate prior audit ratings and risks
- Survey and interview division managers
- Update the Audit Universe

July

Initiate work on FY 2026 Audit Plan

L/.CERA

Internal Audit Division
2024 Risk Assessment

Division:		Survey Completed By:		Date:

Instructions: Please answer the following questions to the best of your ability. When answering the questions, you should consider risks associated with work processed within your Division and controls implemented to address those risks.

OPERATIONAL OBJECTIVES	Yes	No	Comment
1. Are key objectives/goals clearly established for your Division? List the key objectives/goals of your Division?			
2. Have you established key performance indicators (KPIs) for each objective. If yes, please list the KPIs associated with each objective. If the answer is no, please describe where you are in the process of developing KPIs.			
3. Are there significant operational limitations that prevent your Division from accomplishing your Divisional objectives? Describe at a high level.			
4. Are there any initiatives in LACERA's Strategic Plan that will have a significant impact on your			

Top Risks Include:

Risk	Description of what the risk examines
Cybersecurity	Are organizations sufficiently prepared to manage cyber threats that could cause disruption & reputational harm.
Human Capital	The challenges organizations face in identifying, acquiring, upskilling, and retaining the right talent to achieve their objectives.
Organizational Governance	Whether organizations' governance assists or hinders achievement of objectives.
Data Privacy	How organizations protect sensitive data in their care and ensure compliance to all applicable laws and regulations.
Culture	Do organizations understand, monitor, and manage the tone, incentives, and actions that drive the desired behavior.
Fraud	Organization's ability to prevent, detect and take corrective action related to fraud.
Change in Regulatory Environment	The challenges organizations face in a dynamic and ambiguous regulatory environment.
Supplier & Vendor Management	Organizations' abilities to select and monitor third-party relationships.
Disruptive Innovation	Whether organizations are prepared to adapt to and/or capitalize on disruption.
Financial Liquidity	Risk to an organizations financial condition arising from inability to meet contractual obligations.

Top Risks and Our Current Audit Plan

| Top Risk Areas	Audit Project
Cybersecurity	Application Security Reviews, IT Risk Assessment (including assessment of NIST at LACERA)
Organizational Governance	Strategic Plan – Compliance and Enterprise Risk Management
Human Capital / Talent Management	Advisory Review of HR Recruiting
Business Continuity & Crisis Management	Review of LACERA Business Continuity Program

Questions, Thoughts and Comments

April 7, 2025

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
                Debbie Martin (BOI), Chair
                Nicole Mi (BOI), Vice Chair
                Alma K. Martinez (BOI), Secretary
                Nancy Durazo (BOR), Trustee
                Jason Green (BOR), Trustee
                Wayne Moore (BOR), Trustee
                Elizabeth Ginsberg, Ex-Officio

                ACRE Committee Consultant
                  Larry Jensen

FROM: Nathan K. Amick
            Senior Internal Auditor

FOR**:**   April 24, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Fiscal Year Ending 2025 Audit Plan Status Report**

BACKGROUND
Per the Institute of Internal Auditors' Global Internal Audit Standard (Standard) 9.4, the Chief Audit Executive (CAE) must develop an audit plan that aligns with the organization's objectives. This plan should be based on a documented evaluation of strategies, objectives, and risks, incorporating feedback from the board, senior management, and the CAE's knowledge of governance, risk management, and control processes. This requirement is also outlined in the ACRE Charter (Charter).

In alignment with the Standards and the Charter, the ACRE Committee approved Internal Audit's FYE 2025 Audit Plan in September 2024 and then approved the amended Audit Plan in December 2024.

The Audit Plan currently consists of 34 Projects. As of April 7, 2025, Internal Audit staff has completed six (18%) of the 34 projects, and 13 (38%) are current and continuous, resulting in a total of 19 (56%) completed or current and up-to-date. Of the 15 remaining projects, nine (26%) are currently in progress, and six (18%) have yet to be started.

Staff has prepared the following attachments for your attention:
      A. FYE 2025 Audit Plan as of April 7, 2025
      B. FYE 2025 Audit Plan Status Report

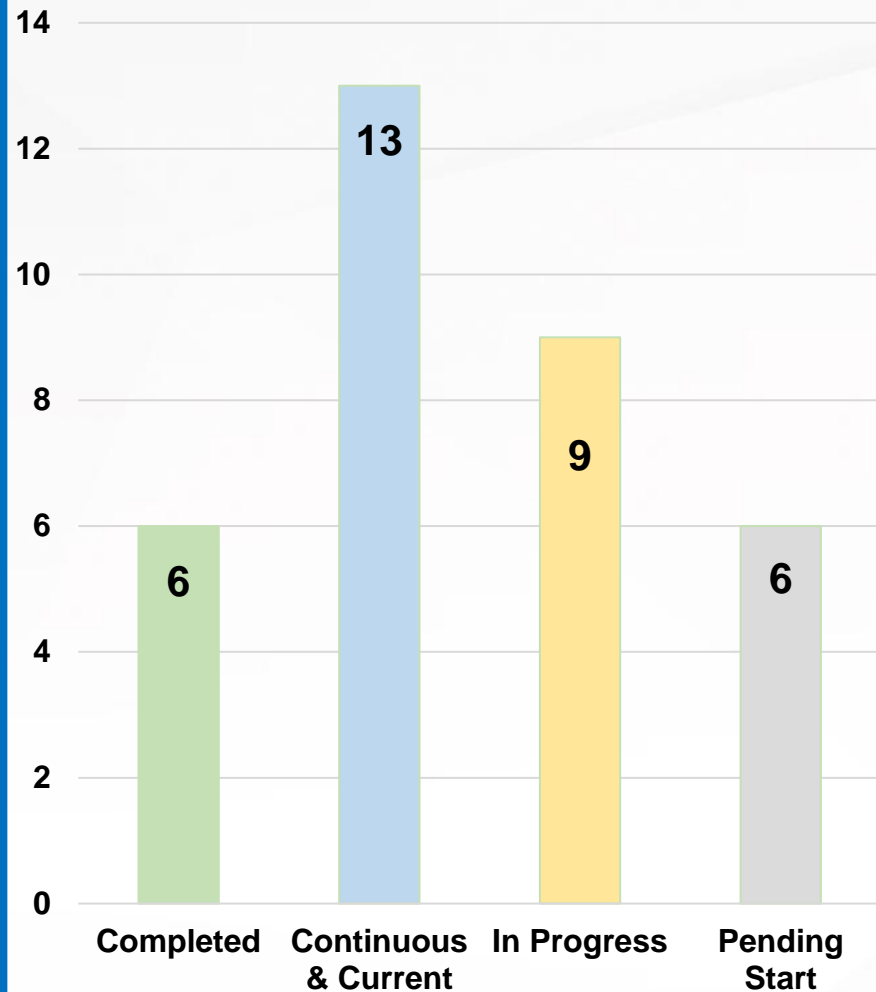|		**Audit Plan 2024-2025 Status as of April 7, 2025**			
		Enterprise Risk Management Plan			
	Division	**Project Name**	**Project Type**	**Status**	
	Organizational	Develop ERM Charter	Program Dev	Q3	
	Organizational	Define LACERA ERM Framework	Program Dev	Q3	
	Organizational	Develop LACERA ERM Structure	Program Dev	Q3	
		Audit Plan			
	Division	**Project Name**	**Project Type**	**Status**	**Audit Rating**
	Executive / InfoSec/Legal / Organizational				
1	Executive Office	LA County Rehired Retirees Audit FYE June 30, 2024	Assurance	Completed Q2	Opportunities for Improvement
2	Executive Office	Business Continuity	Assurance	In Progress	
3	Executive Office	Follow-up Techinal Audit of Granicus' OneMeeting	Assurance	Completed Q2	N/A
4	Organizational	Continous Audit Processing (CAP)	C A P	Continuous	N/A
5	Organizational	Reco F/U (coordination)	Assurance	Continuous	N/A
6	Organizational	Risk Assessment	Assurance	Continuous	N/A
7	Organizational	Organizational Culture	Value Added	Continuous	N/A
8	Information Security	Cyber Security NIST Audit	Assurance	In Progress	
9	Legal	Ethics and Compliance Hotline Update	Value Added	Continuous	N/A
	Business Services Group - Administrative Services (Admin Serv), Human Resources (HR), Systems Division				
10	Adm Services	Inventory Asset Management	Value Added	Continuous	N/A
11	Adm Services	Vendor Security Assessment	Assurance	Q4	
12	Human Resources	Recruitment and Hiring Process Advisory Review	Advisory	Completed Q3	N/A
13	Systems	IT Risk Assessment	Assurance	In Progress	
14	Systems	Oversight of SOC FYE 2024 & 2025	Value Added	Continuous	N/A
	Investments & Financial Accounting Services Division (FASD)				
15	FASD	CEO Corporate Credit Cards - FYE 2024	Assurance	Completed Q1	Satisfactory
16	FASD & Investments	Investment, FASD, and Custodian Roles and Responsibilities Review	Advisory	In Progress	
17	Investments	Securities Lending Audit	Assurance	Q4	
18	Investments	Strategic Asset Allocation Audit	Assurance	Q4	
19	FASD	RFP for Financial Auditor (will include as part of scope Financial Controls Review)	Value Added	In Progress	
20	FASD	Oversight of Financial Audit FYE 2024 & 2025	Value Added	Continuous	N/A
21	FASD	Oversight of Audit of Actuarial Services	Value Added	Continuous	N/A
22	Investments	Oversight of THC Financial Audits and Tax	Value Added	Continuous	N/A
	Member Operations - Benefits, Disability Retirement Services (DRS), Retiree Healthcare (RHC), Members Services (MS)				
23	Benefits	Account Settlement Collections	Value Added	In Progress	
24	Benefits	LA County Payroll - LACERA's Controls	Assurance	In Progress	
25	Benefits	Death Claims Process Audit	Assurance	Q3	
26	Benefits	GRC Review of Benefits Protection Unit (BPU)	Advisory	Q3	
27	Retiree Healthcare	Provider Premium Calculations & Payments Audit	Assurance	Q3	
	Internal Audit Operations				
28	Internal Audit	Quality Assurance Improvement Program	IA Administration	Continuous	N/A
29	Internal Audit	Provide training to MAC and ACRE Committee	IA Administration	Continuous	N/A
30	Internal Audit	Audit Committee Support	IA Administration	Continuous	N/A
31	Internal Audit	Develop IA 3-Year Roadmap	IA Administration	Completed Q3	N/A
32	Internal Audit	Develop IA Staff Training Plan	IA Administration	Completed Q2	N/A
33	Internal Audit	RFP to Expand Audit Pool	IA Administration	In Progress	N/A
34	Internal Audit	Develop Formal CAP	IA Administration	In Progress	N/A

Audit Plan Status Report – FYE 2025
(As of April 7, 2025)

Presented by:

Nathan K. Amick, Senior Internal Auditor

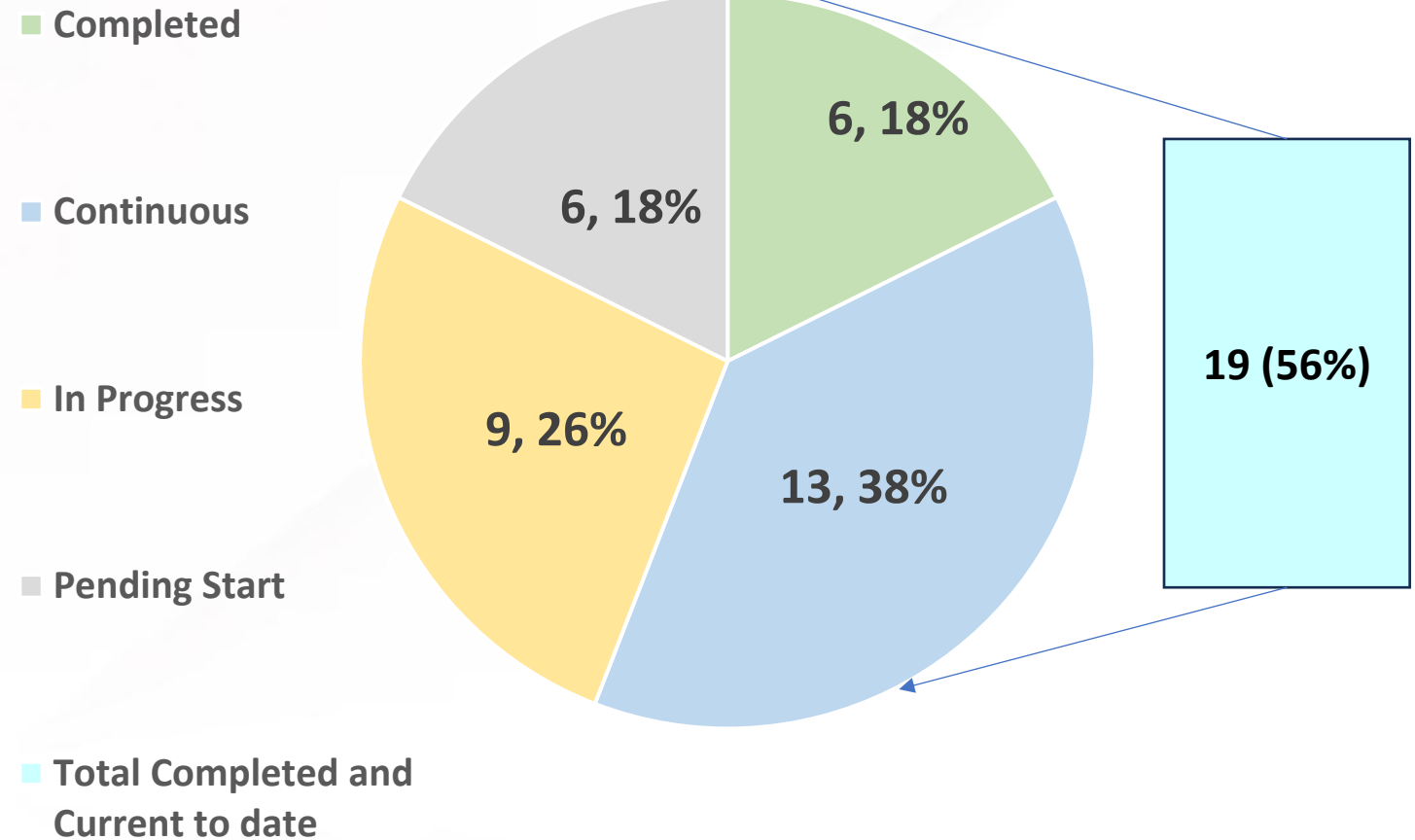# FYE 2025 Audit Project Dashboard

Status of Audits and Projects

Audit Plan Completion

- Completed
- Continuous
- In Progress
- Pending Start
- Total Completed and Current to date

Completed: 6, 18%
Continuous: 13, 38%
In Progress: 9, 26%
Pending Start: 6, 18%

19 (56%)

Completed Items

Audit Plan Engagements - FYE 2025	Engagement Type	Report Date
Recruitment and Hiring Process Advisory Review	Advisory	April 7, 2025

Internal Audit Goals - FYE 2025	Goal Type	Completion Date
Develop IA 3-Year Roadmap	Strategic	April 7, 2025

Continuous and Current Audit Engagements

The 13 projects below are perpetual, and the work is up to date as of March 31, 2025. All projects will be completed by June 30, 2025, and will recommence July 1, 2025 for FYE 2026.

Continuous Audit Engagements/Projects
Audit Committee Support
Continuous Audit Processing (CAP)
Ethics and Compliance (Hotline)
Inventory Asset Management
Organizational Culture
Oversight of Actuarial Audit FY 24 & 25
Oversight of Financial Audit FY 24 & 25
Oversight of SOC Audits FY 24 & 25
Provide training to MAC and Audit Committee
Quality Assurance Improvement Program
Recommendation Follow-Up
Risk Assessment
THC Financial Audits/Tax - FY 24 & 25

In Progress Audit Engagements & Projects

Engagement/Project	Engagement Assignment	Estimated Completion	Planning Scope	Prelim Audit Work	Audit Field Work	Draft Report	Exit Meeting
LA County Payroll (LACERA Controls)	Benefits	Jun 2025	√				
Business Continuity Plan	Executive	May 2025	√				
Investment, FASD, and Custodian Roles and Responsibilities Review	FASD & Investments	Jun 2025	√				
IT Risk Assessment & NIST CSF Review *	Systems	Jun 2025	√	√			
Accounts Settlement Collections	Benefits	Jun 2025	N/A – Informal value-add engagement				
RFP for Financial Auditor	FASD	Sep 2025	N/A – Drafting RFP for ACRE Approval				
Develop Formal CAP Program	Internal Audit	Jun 2025	N/A – Drafting CAP framework, process and procedures				
RFP to Expand Audit Pool	Internal Audit	Apr 2025	N/A – Currently Reviewing Proposals				

The IT Risk Assessment and the NIST CSF Review are separate engagements included in the Audit Plan but are being conducted as a single engagement.
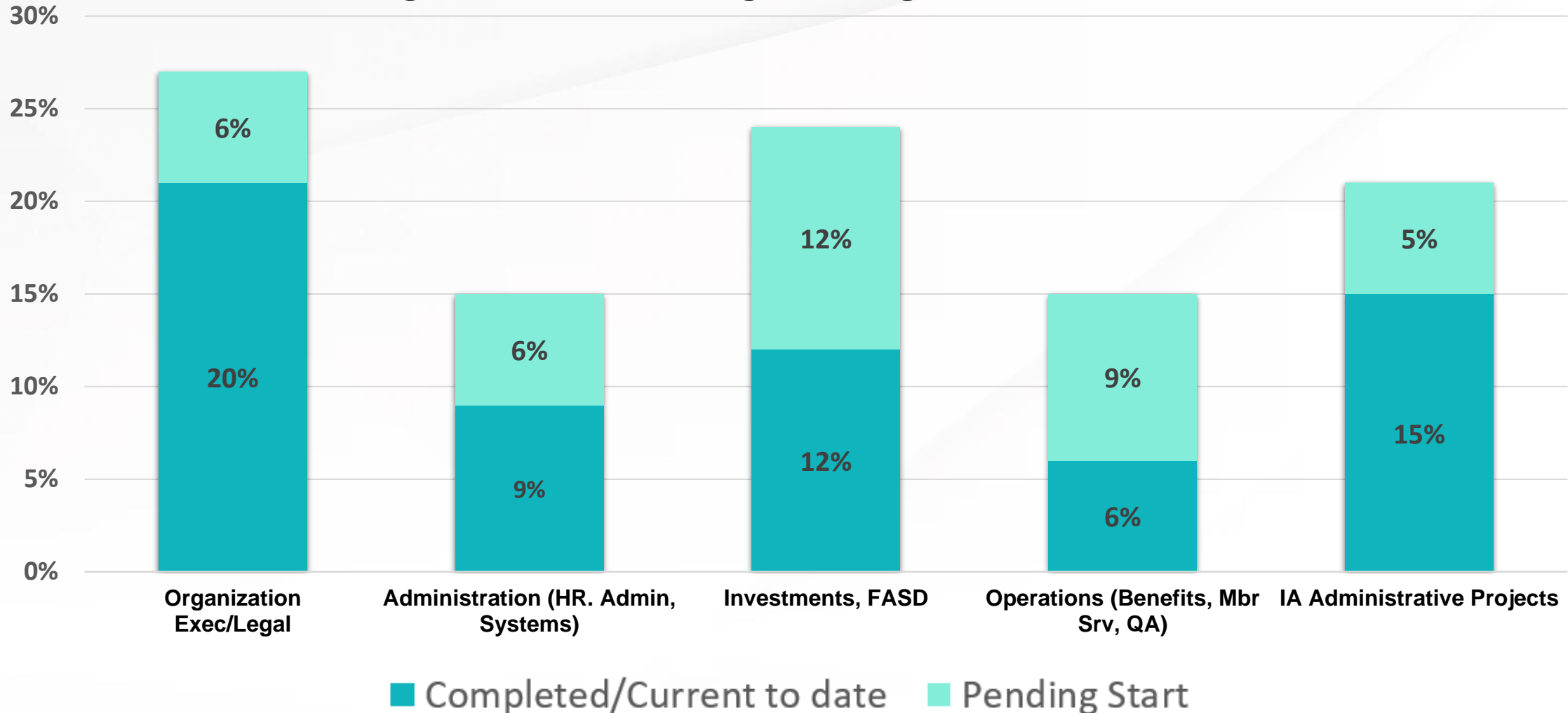
Pending Audit Engagements & Projects

As of April 7, 2025, Internal Audit has yet to begin work on these FYE 2025 Audit Plan projects.

Pending Engagement/Project	Audit Assignment	Estimated Start
Vendor Security Assessment	Internal Audit	Q4
Securities Lending Audit	Internal Audit	Q4
Strategic Asset Allocation Audit	Internal Audit	Q4
Death Claims Process Audit	Internal Audit	Q4
GRC Review of Benefits Protection Unit (BPU)	Internal Audit	Q4
Provider Premium Calculations & Payments Audit	Internal Audit	Q4

Questions

LACERA

April 9, 2025

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
                Debbie Martin (BOI), Chair
                Nicole Mi (BOI), Vice Chair
                Alma K. Martinez (BOI), Secretary
                Nancy Durazo (BOR), Trustee
                Jason Green (BOR), Trustee
                Wayne Moore (BOR), Trustee
                Elizabeth Ginsberg, Ex-Officio

                ACRE Committee Consultant
                  Larry Jensen

FROM: Leisha E. Collins
           Principal Internal Auditor

FOR: April 24, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Ethics Hotline Status Report**

BACKGROUND

LACERA is committed to upholding its values, advocating ethical behavior, and acting in compliance with applicable laws, regulations, policies, procedures, and LACERA's Code of Ethical Conduct. To support this commitment, LACERA maintains a confidential and anonymous Ethics Hotline. Furthermore, LACERA is committed to maintaining a strict policy against retaliation for any employee who reports ethical violations and misconduct.

The ACRE Charter, section VII.B.9.b, states that the ACRE Committee reviews a summary of LACERA's Ethics Hotline reports. Accordingly, the purpose of this memorandum is to provide the Committee with an update on cases reported to LACERA through the Ethics Hotline.

As of this reporting date, there are three open cases as reported below:

Case	Report Month	Ethics Issue Category	Assign To	Status	Closed	Control Deficiencies
20	Feb 2025	Inadequate Policies/Controls to Prevent Violations	Legal	Investigation In Process		
21	Feb 2025	Acts or Omissions in Conflict with LACERA's Values	IA	Closed - Unsubstantiated	April 2025	None
22	March 2025	Non-compliance, or Violation of Law, Regulation, Policy	HR	Investigation In Process		

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.

2025 ETHICS HOTLINE RELAUNCH
Internal Audit, the Legal Offices' Ethics and Compliance Program, and the Communication Division collaborated on the Ethics Hotline relaunch. The campaign aimed to highlight LACERA's commitment to transparency, accountability, and ethical values. We also rebranded the materials to draw more attention to the Hotline, as it had been several years since the last update.

The relaunch campaign successfully increased awareness and provided clear messaging to employees. Staff received educational materials and a brochure about the Hotline, as well as a stress ball with the tag line "Speak Up!". Additionally, new posters were displayed in each division and common area, and a new link was added to LACERA Connect for staff to easily access the Ethics Hotline Reporting System.

Staff will present at the April 2025 Committee Meeting to provide an overview of the relaunch.

Attachment
A: LACERA Ethics Hotline Relaunch Presentation

LACERA ETHICS HOTLINE RELAUNCH

Presented by:
Leisha E. Collins, Principal Internal Auditor

➢ LACERA is committed to upholding its values, advocating ethical behavior, and acting in compliance with applicable laws, regulations, policies, procedures, and LACERA's Code of Ethical Conduct.

➢ To support this commitment, LACERA maintains a confidential and anonymous Ethics Hotline. We maintain a strict policy of non-retaliation to protect employees when reporting questionable behavior.

➢ In accordance with the ACRE Charter, section VII.B.9.b, "the Committee oversees the Program's system for prevention and detection of fraud, including quarterly review of a summary of LACERA's Ethics Hotline reports, with Committee recommendations to the Boards as indicated."

Rebranding
- Updated materials to draw attention to the Hotline
- Campaign successfully increased awareness and provided clear messaging to employees

Relaunch Collaboration
- Internal Audit
- Legal Office Ethics and Compliance Program
- Communication Division

New **Speak Up!** Tag Line
- Highlight LACERA's commitment to transparency, accountability, and ethical values
- Emphasis on anonymous reporting and non-retaliation to employees when reporting an incident

(Old Version of Poster)

RELAUNCH INFORMATION

Educational Materials Provided

- Exec Office email to all staff on the Ethics Hotline Relaunch
- Additional reporting categories were added to the Hotline Reporting List
- New Hotline brochure provided to staff with details on how to use the system
- Stress ball with the tag line "Speak Up!" distributed
- New posters displayed in each division and common area
- New link added to LACERA Connect allowing easy access to the Hotline Reporting System

QUESTIONS

Thank You

FOR INFORMATION ONLY

April 3, 2025

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
                Debbie Martin (BOI), Chair
                Nicole Mi (BOI), Vice Chair
                Alma K. Martinez (BOI), Secretary
                Nancy Durazo (BOR), Trustee
                Jason Green (BOR), Trustee
                Wayne Moore (BOR), Trustee
                Elizabeth Ginsberg, Ex-Officio

                ACRE Committee Consultant
                Larry Jensen

FROM: Steven P. Rice, *SPR*
                Chief Counsel

                Allison E. Barrett
                Senior Staff Counsel

FOR: April 24, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: Ethics and Compliance Program Foundational Work Plan Status

BACKGROUND AND LEGAL AUTHORITY

An Ethics and Compliance Program is integral to the ACRE Committee's constitutionally mandated fiduciary duty to administer the system with care, skill, prudence, and diligence to ensure the prompt delivery of benefits and related services to members and their beneficiaries.[1] The United States Sentencing Guidelines (USSG) provide the best practices and legal standards for an "Effective Compliance and Ethics Program."[2] Accordingly, the ACRE Committee Charter was designed in accordance with those standards.

Under the ACRE Charter, the Committee has oversight of LACERA's Ethics and Compliance Program to ensure the organization is operating with the highest ethical standards and in compliance with all applicable laws, regulations, policies, and

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[1] Cal. Const. Art. XIV. Sec. 17.

[2] 18 USCS Appx, section 8B2.1(a)(1)(2): "(a)To have an effective compliance and ethics program... an organization shall—(1) exercise due diligence to prevent and detect criminal conduct; and (2) otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law. Such compliance and ethics program shall be reasonably designed, implemented, and enforced so that the program is generally effective in preventing and detecting criminal conduct."

procedures.[3] Committee oversight requires the Committee ensure that adequate controls exist *and* that they are being implemented. [4]

Effective oversight requires that LACERA's compliance and control functions have *direct access* to the Boards and the ACRE Committee for *regular reporting* about Program activities, ethics and compliance risks, and the controls in place to mitigate that risk.[5] Accordingly, under the ACRE Charter, the Committee will receive regular reports on Program activity, including:

- Annual Work Plan Progress
- Assessments of Mission-Critical Risks
- Program Evaluation
- Policy and Procedure Review
- Vendor/Third-Party Ethics and Compliance Risks
- Communications and Training Plan
- Internal and External Reporting Channels (e.g., Ethics and Compliance Hotline)
- Investigations of Ethics and Compliance Risks or Violations
- Survey of Culture of Ethics and Compliance.[6]

The Committee will conduct its oversight duty by making reasonable inquiry into the *effectiveness* of the above noted Program activities and compliance controls to ensure the Program is: 1) *well designed*; 2) being *applied earnestly* and *in good faith* (i.e., is *adequately resourced* and *empowered to function effectively*); and 3) *works in practice*.[7]

Under the ACRE Committee Charter, the Legal Office and the CEO will continue to perform foundational Program work and will report on its activities at each Committee meeting until the CECO is hired.[8]

In October 2024, the ACRE Committee approved the Program's Foundational Work Plan, which includes the following Program activities: *Education Plan; Policy Management; Ethics and Compliance Risk Assessments; Ethics and Compliance Culture Survey; Code of Ethical Conduct; Chief and Deputy Ethics and Compliance Officer Class Specifications; and the 2025-2026 Ethics and Compliance Program Budget.*

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[3] ACRE Committee Charter sec. VII.B.
[4] 18 USCS Appx. sec. 8B2.1(b)(2)(A): "The organization's governing authority shall be knowledgeable about the content and operation of the compliance and ethics program and shall exercise reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program."
[5] The 2024 Department of Justice Evaluation of Corporate Compliance Programs (DOJ-ECCP), p. 12, sec. II.B.
[6] ACRE Committee Charter, sec. VII.B.2b, 3b, 4, 5a, 6, 7a, 8, 9a-b, 11.
[7] DOJ-ECCP, pp. 1-2.
[8] ACRE Committee Charter sec. VII.B.13b.

The following chart summarizes the status of the Foundational Work Plan activities, with additional detail and the relevant best practices discussed further below.

WORK PLAN STATUS

PROGRAM ACTIVITY	UPDATES

Education Plan	• **February 2025**: Two Ethics and Compliance Committee (ECC) members attended the *Society of Corporate Ethics and Compliance* (SCCE) training Academy in February 2025, completed the *Certified Compliance and Ethics Professional* (CCEP) exam, and are now certified.
	• **March 2025**:
	    ○ ACRE Committee Orientation completed. The session was also attended by various members of the Management Action Committee (MAC) and ECC, virtually and in-person.
	    ○ ECC Sub-Committee members are researching policy governance and writing training programs. Three Policy Committee members are currently enrolled in an on-line course—"Policy and Procedure Best Practices."
	• **May 2025**: Ethics and Compliance consultant, Rebecca Walker, Esq. will facilitate a 2-hour education session for the ECC regarding its role and the first line role of management in an effective ethics and compliance program.

Policy Management	• **March 2024-Present**: A list of the Policies, Procedures, and Charters updated/completed in the last year is included in the appendix. • **December 2024**: *Compass*, LACERA's in-house developed policy management site, was launched. • **January 2025**: Separate *Compass* trainings were provided by *Compass* developers for the MAC, Supervisor Action Committee (SAC), and All-Staff. • **February 2025**: An Ethics and Compliance Committee Sub-committee ("Policy Committee") under the ECC was formed to focus on policy management and review to streamline the organization's policy drafting and the ECC's review and approval process.
Ethics and Compliance Risk Assessments	• **January 2025**: The Legal Office and Internal Audit began discussions on establishing an "aligned assurance" process--coordinating efforts to further define LACERA's risk universe and collaborate on risk assessments. • **June 2025**: Ethics and Compliance strategic initiative co-leader from the Legal Office to attend SCCE

	"Compliance Risk Assessment and Management Workshop."
Ethics and Compliance Culture Survey	• ***March 2025***: Members of the ECC began meeting with the Executive team and the HR Director to draft a baseline ethics and compliance culture survey to be separately issued to MAC, SAC, and Staff. • ***June 2025***: Survey(s) to be conducted. • ***December 2025***: Survey results with qualitative analysis to be reported to ACRE Committee.
Code of Ethical Conduct	• ***December 2024***: Code *Table of Contents* presented to ACRE. • ***January 2025***: Code *Table of Contents* presented to the Boards, ECC, MAC, and SAC. • ***February 2025***: Code drafted and edited. Code Drafting Team began collaborating with the Communications Division on Code design. • ***April 2025***: Communications creating mock-up of Code *Introduction* section for presentation to focus groups (including ECC, MAC, SAC, Staff). • ***June 2025***: Complete draft of the Code is expected to be presented to the ACRE Committee for input and forwarding to the Boards.
Chief and Deputy Ethics and Compliance Officer Class Specifications	• ***December 2024***: CECO Class Specification and Salary approved by the ACRE Committee**.** • ***March 2025***: Deputy Ethics and Compliance Officer (DECO) Class Specification and Salary approved by the ACRE Committee. • ***April 2025***: CECO and DECO Class Specifications and Salaries to be reviewed by the Joint Organizational Governance Committee (JOGC) for input and forwarding to the Boards.
2025-2026 Ethics and Compliance Program Budget	• ***March 2025***: Budget approved by the ACRE Committee with recommendation to the JOGC and Boards for inclusion in LACERA's annual administrative budget. • ***April 2025***: Budget scheduled for review by JOGC.

Education Plan

The United States Sentencing Guidelines advise that an organization "shall" take reasonable steps to periodically communicate its standards, procedures, and other activities of the ethics and compliance Program by conducting "effective training programs" and disseminating information in accordance with "individuals" roles and responsibilities.[9] A well-designed Program has appropriately tailored communications

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[9]18 USCS Appx. sec. 8B2.1(b)(4)(A) and (B). These individuals include: 1) members of the "governing authority" (ACRE Committee, Boards); 2) "high-level personnel" (e.g., Executive Office, MAC); 3) "substantial authority personnel" (e.g., SAC); 4) "the organization's employees" (All-Staff); and 4) the "organization's agents" (third party contractors).

and training programs that ensure the compliance program is well-integrated into the organization's operations and workforce.[10]

Accordingly, under the ACRE Committee Charter, the Committee oversees the Program's ethics and compliance communication and training plans, including the process for communicating LACERA's governing laws, regulations, policies, procedures, and Code of Ethical Conduct throughout the organization. The Committee itself will also undergo regular ethics and compliance training. The March 2025 ACRE Committee Orientation included review of the ACRE Committee's oversight duty under its Charter. Code of Ethical Conduct training will follow later this year, upon ACRE and Board approval of the updated and redesigned Code.

Members of the ECC (a cross-section of division leaders which serves as an advisory body and supports Program implementation) continue to undergo regular ethics and compliance education as required in the Ethics and Compliance Program Charter.[11] Training includes the *Society of Corporate Compliance and Ethics* "Basic Compliance & Ethics Academy," qualifying participants to sit for the Certified Compliance and Ethics Professional (CCEP) exam. Two of ECC's members have achieved CCEP certification, which is an important industry recognition of knowledge and skill in ethics and compliance issues.[12]

In May 2025, LACERA's ethics and compliance consultant, Rebecca Walker Esq. will facilitate a two hour education session for the ECC regarding its role and the first line role of management in an effective ethics and compliance program. ECC members are also researching options for future periodic ECC training on topics such as culture, risk assessments, auditing and monitoring, and program evaluation. Additionally, ECC Sub-Committee members are researching training options for policy governance and writing, and are currently enrolled in an on-line course, "Policy and Procedure Best Practices."

Policy Management

The United States Sentencing Guidelines advise that the "organization shall establish standards and procedures to prevent and detect criminal conduct."[13] "Standards and procedures" mean standards of conduct and internal controls that are reasonably capable of reducing the likelihood of misconduct, such as the Code of Conduct, policies and procedures.[14]

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[10] DOJ-ECCP (2024), p. 2; 5-6.

[11] Ethics and Compliance Program Charter, sections V; VIII.B.

[12] Roberta Van Nortrick, Employee and Organizational Development Supervisor (Human Resources); Allison E. Barrett, Senior Staff Counsel (Legal Division).

[13] 18 USCS Appx. sec. 8B2.1(b)(1). The guidelines are applied in civil as well as criminal actions and generally apply to all corporate misconduct.

[14] DOJ-ECCP sec. I.B, p. 4: "Any well-designed compliance program utilizes policies and procedures to give both content and effect to ethical norms and to mitigate risks identified by the company as part of its risk assessment process."

Under the ACRE Charter, the Committee will review reports regarding Program policy and procedure governance; and review new or updated policies under Committee purview, such as LACERA's Code of Ethical Conduct and Conflict of Interest Code.[15]

Since the last Foundational Work Plan status report, LACERA's homegrown policy management system—*Compass*—became fully operational. *Compass* developers introduced the system at the January monthly brown bag and provided multiple training sessions across the organization (MAC, SAC, All-Staff).

Additionally, members of the Ethics and Compliance Committee created a subcommittee ("Policy Committee") to streamline an organization-wide process for Policy drafting, review, and governance, with the objective of creating effective policies, procedures, and charters (essential controls to mitigate LACERA's ethics and compliance risks). The new policy development process has been mapped, and the ECC Charter and Policy Development checklist have been updated accordingly.

The Appendix to this memo lists recently completed and/or updated policies, procedures, and charters from March 2024 – present.

Baseline Ethics and Compliance Risk Assessment

The United States Sentencing Guidelines advise that the organization shall: 1) periodically assess risk and take appropriate steps to design, implement, and modify controls; or 2) modify the Program framework to mitigate identified risk, depending on the likelihood of occurrence and significance of impact.[16] When the DOJ evaluates an organization in the context of an investigation, the general starting point is the organization's risk assessment process. The DOJ considers whether the organization has identified, assessed, and defined its risk profile, the controls to mitigate that risk, and whether appropriate resources are dedicated to residual risk.[17]

Accordingly, under the ACRE charter, the Committee will review scheduled Program risk assessments of organization-wide operations, along with recommendations to upgrade current or establish new controls to mitigate identified ethics and compliance risks, control gaps, or other key risk indicators. The Committee will also promptly review interim assessment reports regarding any mission-critical ethics and compliance risks.[18]

According to best practices, it is recommended that Program framework is established and operational, with key personnel and adequate resources in place, prior to conducting a comprehensive ethics and compliance risk assessment because the Program requires sufficient resources to mitigate and monitor the risk once it is identified. Prior to the arrival of the CECO and establishment of the Ethics and Compliance Office, we will leverage

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[15] ACRE Committee Charter sec. VII.B.5a-b.
[16] 18 USCS Appx. sec. 8B2.1(c).
[17] DOJ-ECCP, sec. I.A, pp. 2-3.
[18] ACRE Committee Charter sec. VII.B.3a-b.

resources and structures already in place. Specifically, the Legal Office will collaborate with Internal Audit during its annual risk assessment.[19] This joint effort (known as aligned assurance) will ultimately serve to bridge control gaps, combine resources, and limit management assessment fatigue. Baseline ethics and compliance specific questions[20] will be included in Internal Audit's annual (2025) assessment, with findings and control recommendations presented to the ACRE Committee during its December meeting.

Baseline Ethics and Compliance Culture Survey

The United States Sentencing Guidelines mandate that "an organization shall…promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law."[21] During investigations, the DOJ assesses whether an organization has incorporated a culture of ethics and compliance into its day-to-day operations, whether employees' trust that the organization and its leaders are committed to ethics and compliance and that any misconduct will not be tolerated.[22]

An essential component to establishing and monitoring an ethical and compliant organizational culture is measuring and determining the baseline for future benchmarking. Accordingly, under the ACRE Charter, the Committee will review reports of periodic surveys of LACERA's culture of ethics and compliance.[23]

Culture carries a substantial risk for misconduct. Generally, misconduct occurs as a result of: 1) poorly communicated or lack of training on standards, policies, and procedures; or 2) the work environment, i.e., culture. Members of the Executive Office, Legal, Internal Audit, and HR are developing a baseline ethics and compliance culture survey. Survey areas may include:

1. *"Speak Up" Culture*: Whether employees are aware of channels to report ethics and compliance risks or violations (including the ethics hotline); whether employees believe LACERA is committed to nonretaliation (and feel safe reporting misconduct); whether employees understand they have a duty to report misconduct, legal or regulatory violations and whether they are motivated to do so to serve LACERA's fiduciary duty, mission, and ethics and compliance program; whether employees believe any reported misconduct will be taken seriously and investigated if warranted?
2. *Organizational Justice*: Whether incentives for compliance or discipline for noncompliance exist and are applied fairly, equitably, and consistently regardless of an employee's title or position?

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[19] In preparation, a member of the Legal Office will be attending the SCCE "Compliance Risk Assessment and Management" Workshop in June 2025.

[20] Ethics and compliance risk is distinct from "enterprise risk," and generally includes: *risk of non-compliance with applicable laws, regulations, policies, procedures, and/or LACERA's Code of Ethical Conduct*.

[21] 18 USCS Appx. sec. 8B2.1(a)(2).

[22] DOJ-ECCP, sec. I.B, p.4; sec. II, p. 10.

[23] ACRE Committee Charter sec. VII.B.11.

3. *Tone-at-the-Top*: Whether employees believe LACERA leadership is committed to Ethics and Compliance (and observe leadership modeling ethical and compliant behavior)?
4. *Internal/External Pressures*: Whether employees believe LACERA values "Ethics and Compliance" over internal pressures such as arbitrary deadlines, quotas, or unattainable business goals? Is quality valued over quantity?

Separate surveys will be issued according to employees' organizational functions (MAC, SAC, and Staff) to analyze the different perspectives of each working group. Findings and recommendations will be presented at the ACRE Committee meeting following the survey once the data is collected and evaluated.

Code of Ethical Conduct

As stated above, the United States Sentencing Guidelines require an organization establish standards to prevent and detect misconduct, beginning with the Code of Ethical Conduct. The Code operates like the organization's constitution (stating our mission, vision, values, principles and business standards); serves as a decision-making guide; and expresses LACERA's commitment to compliance with applicable, laws, regulations, policies and procedures. The Code represents "who we are" as an organization. It must be clear, concise, easily understood, and accessible (in terms of location, format, and medium) for every division and level of the organization. Accordingly, the ACRE Charter provides for Committee review of updates to the Code of Ethical Conduct.

At the December 2024 ACRE Committee meeting, the Legal Office presented the proposed Code table of contents and an overview of several concepts for formatting, design, and access channels. The Code will be organized around LACERA's values—*Inclusion, Innovation, Integrity, Accountability, Collaboration, and Transparency* (I.ACT), with an introduction including a letter from the CEO, and statements regarding LACERA's fiduciary duty, mission, vision, values, principles, and Ethics and Compliance Program.

A draft of the Code has been completed since the last Committee meeting; and Communications is creating a design to capture the importance of the document while also enhancing readability and accessibility. The objective is to create a user-friendly, motivating Code that *all* employees regularly access for guidance regarding operational questions impacted by ethics and compliance issues (e.g., travel, gifts, conflicts-of-interest). Communications will start with a mock-up of the introduction section of the Code, which will be shared with various focus groups within the organization for feedback (including the ECC, MAC, and SAC). A complete, proposed draft of the Code is expected to be presented at the June ACRE Committee meeting for input and forwarding to the Boards for final review and approval.

Ethics and Compliance Personnel Class Specifications

Due diligence and the promotion of an organizational culture that encourages ethical

conduct and a commitment to compliance with the law requires designated individuals responsible for the day-to-day operation of the Program who report periodically to the Committee, Boards, and CEO.[24] Accordingly, the Ethics and Compliance Program Charter provides for an independent Chief Ethics and Compliance Officer to oversee the Program and report directly to the ACRE Committee and Boards.[25]

Under the ACRE Charter, the Committee provides input on and approval of the CECO's appointment, termination, and discipline by the CEO; and approves and makes recommendations to the Boards for additional staffing for the Ethics and Compliance Office upon the request of the CECO and CEO.[26] The ACRE Committee approved the Class Specification and Salary for the CECO in December 2024; and the Class Specification and Salary for the Deputy Ethics and Compliance Officer (DECO) in March 2025. Both items will be presented to the JOGC at its April 23rd meeting, followed by the Board of Retirement and Board of Investments in May. Upon Board approval, the Class Specifications will be forwarded to the Board of Supervisors for review and inclusion in the County Ordinance.

CONCLUSION

The foundation for LACERA's Ethics and Compliance Program continues to be built in anticipation of the arrival of the Chief Ethics and Compliance Officer and the establishment of LACERA's Ethics and Compliance Office. The Program is designed to prevent, detect, and mitigate ethics and compliance risk and to promote a culture where every LACERA employee is motivated "to do the right thing" in the performance of their day-to-day responsibilities, in accordance with our values and in furtherance of our mission. The ACRE Committee serves a critical role in providing active oversight of the Program, remaining well-informed of and making reasonable inquiry into its activities.

C: Luis A. Lugo
       Jonathan Grabel
       JJ Popowich
       Laura Guglielmo
       Ted Granger
       Chaitanya Errande
       Richard P. Bendall
       Carly Ntoya, Ph.D.
       Christina Logan

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[24] 18 USCS Appx. sec. 8B2.1(b)(2)(C).
[25] Ethics and Compliance Program Charter sec. III.
[26] ACRE Committee Charter, VII.B.1.a. Subsection VII.B.1.b further provides for the Committee to contribute to the CEO's annual performance evaluation of the CECO.

APPENDIX

Policies, Procedures and Charters
(March 2024-Present)

2024
March:	Trustee Education Policy
	Trustee Travel Policy
May:	IT Coordination Council (ITTC) Charter
	Written Information Security Program (WISP) Charter
June:	Budget Policy
July:	Artificial Intelligence (AI) Policy
August:	Ethics and Compliance Committee (ECC) Charter
September:	Policy for the Procurement of Goods and Services
October:	Interest Crediting Policy for Reserve Accounts
	Actuarial Funding Policy
	Ethics and Compliance Program Charter
	Audit, Compliance, Risk, and Ethics (ACRE) Committee Charter
November:	Post Retirement Employment Procedures

2025
January:	Workplace Violence Prevention Plan, Policy and Procedures
	Policy Management Handbook and Templates
	Milage Program Policy and Procedures
February:	Outside Employment Activities Policy and Procedures
	Corporate Credit Card Policy
	Staff Travel Policy
	Professional Attire and Appearance Policy
March:	Policy Governing Deductions
April:	ECC Charter Updated to Reflect Policy Sub-Committee

LACERA

FOR INFORMATION ONLY

April 9, 2025

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
               Debbie Martin (BOI), Chair
               Nicole Mi (BOI), Vice Chair
               Alma K. Martinez (BOI), Secretary
               Nancy Durazo (BOR), Trustee
               Jason Green (BOR), Trustee
               Wayne Moore (BOR), Trustee
               Elizabeth Ginsberg, Ex-Officio

             ACRE Committee Consultant
               Larry Jensen

FROM: Leisha Collins
             Principal Internal Auditor

             Gabriel Tafoya
             Senior Internal Auditor

FOR: April 24, 2025, Audit Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Recommendation Follow-Up Report**

Background

The ACRE Charter (Charter), section VII.A.1i, mandates that the Committee monitor Internal Audit's recommendations to ensure management has adequately and timely addressed the identified risks. In addition, the Institute of Internal Auditors (IIA) Standard 15.2 requires internal auditors confirm that management has implemented the internal auditor's recommendations and/or management's action plans following an established methodology. Accordingly, Internal Audit maintains a follow-up process to monitor and ensure recommendations have been effectively implemented.

Recommendation Follow-Up Process

During the audit process, Internal Audit records findings and provides recommendations to mitigate risks and improve processes. Final audit reports include audit findings, recommendations, management's responses, and targeted completion dates. Each month, Internal Audit monitors management's progress towards implementing outstanding recommendations and confirms completion. The purpose of this report is to inform the Committee about the status of recommendations and keep the Committee apprised of any recommendation updates requiring additional action.

**Recommendation Monitoring and Reporting**

As of the last reporting period, four recommendations have been implemented (closed). There are 19 outstanding recommendations; five of which are pending auditor verification to close them. The following dashboard summarizes the status of closed and pending recommendations. Refer to Attachment A for details.

Recommendations In Progress as of 11/1/24	Newly added Recommendations	Closed Recommendations Auditor Verified	Recommendations In Progress as of 4/1/25
22	+1	-4	19*

Audit Report	Implemented Recommendations	Risk
Corporate Credit Cards	FASD Management should update LACERA's Corporate Credit Card Policy	Med
CAP Bonus Review FY 2024	Executive Management and HR work together to perform a comprehensive review of all bonuses currently being paid and ensure they are approved in compliance with the Policy (current and/or revised) or take action to remediate unauthorized bonuses and collect any associated overpayments.	Med
Replacement Benefit Plan Process 415B	LACERA Management should ensure recommendations made by Fiduciary and Tax Counsel, with regards to RBP administrative fees, are considered and addressed, as necessary, to ensure alignment with best practices and compliance with tax code.	Med
Replacement Benefit Plan Process 415B	Request written assurance from Milliman that the practice of netting RBP payments against contributions does not materially impair the actuarial funding of LACERA, and that it is an appropriate contribution adjustment as described in Government Code 31899.4.	Low

Recommendations by Risk Rating

Aging of Recommendations
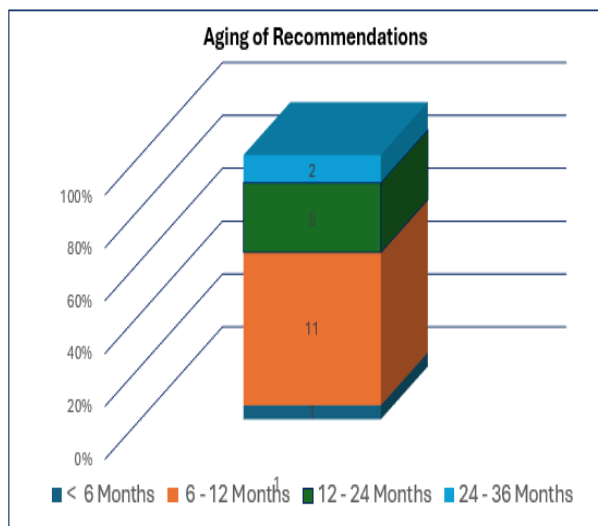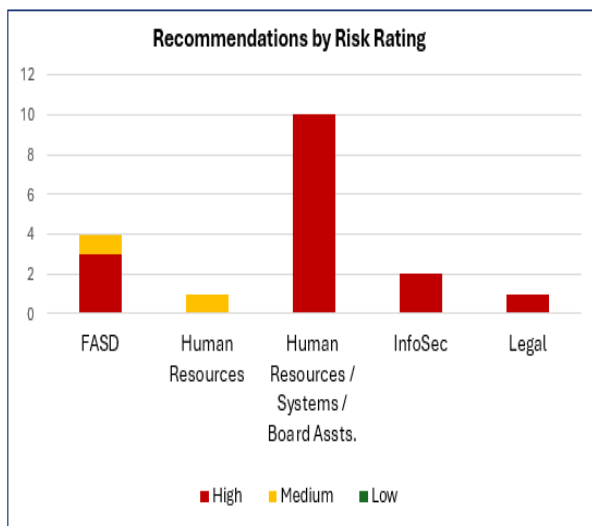
*5 Pending Internal Audit Verification

Staff from the perspective divisions will be present at the April 2025 ACRE meeting to address any questions.

Attachments
A.1 Recommendation Status Report – Organizational
A.2 Recommendation Status Report - Strategic

RECOMMENDATION STATUS REPORT - ORGANIZATIONAL

Reco Ref	Finding	Risk	Recommendation	Status	Initial Target	New Target	Extensions 1	2	3	4	5	Days Outstanding Since Audit Report
FASD - AUDIT OF CORPORATE CREDIT CARDS - REPORT DATE 08/16/2023												
F1	The Corporate Credit Card Policy has not been updated to reflect current practices.	Med	1. FASD Management should update LACERA's Corporate Credit Card Policy.	Closed	3/31/2024	2/28/2025	☑	☑	☑	☐	☐	N/A
F1	The Corporate Credit Card Policy has not been updated to reflect current practices.	Med	2. FASD Management should provide training on the new policy and requirements to all cardholders and division secretaries.	In Progress	6/30/2024	5/30/2025	☑	☑	☐	☐	☐	593
F2	Missing and untimely reporting of supporting documentation for credit card transactions.	High	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.	In Progress	8/31/2023	5/30/2025	☑	☑	☑	☑	☐	593
F3	There is no formal process for the identification and subsequent de-activation of credit cardholders that have terminated employment or transferred to a new position.	High	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.	In Progress	9/30/2023	4/30/2025	☑	☑	☑	☑	☑	593
F3	There is no formal process for the identification and subsequent de-activation of credit cardholders that have terminated employment or transferred to a new position.	High	6. FASD Management should ensure that the Policy and/or procedures require FASD staff to deactivate the cards and associated access to the banking application.	In Progress	3/31/2024	4/30/2025	☑	☑	☑	☑	☑	593
FASD - Replacement Benefit Plan Process 415(b) - REPORT DATE 11/30/2023												
F1	Opportunities for Refinement and Alignment Exist in LACERA's RBP.	Med	LACERA Management should ensure recommendations made by Fiduciary and Tax Counsel, with regards to RBP administrativefees, are considered and addressed, as necessary, to ensure alignment with best practices and compliance with tax code.	Closed	6/30/2024	8/30/2024	☑	☐	☐	☐	☐	487
F1	Opportunities for Refinement and Alignment Exist in LACERA's RBP.	Med	Request written assurance from Milliman that the practice of netting RBP payments against contributions does not materially impair the actuarial funding of LACERA, and that it is an appropriate contribution adjustment as described in Government Code 31899.4.	Closed	3/31/2024	7/31/2024	☑	☐	☐	☐	☐	487
HR -CAP BONUS REVIEW FYE 2024 - REPORT DATE 9/4/2024												
F2	Missing Executive Office Approvals.	Med	Executive Management and HR should work together to perform a comprehensive review of all bonuses currently being paid and ensure they are approved in compliance with the Policy (current and/or revised) or take action to remediate unauthorized bonuses and collect any associated overpayments.	Closed	3/31/2025		☐	☐	☐	☐	☐	N/A
F1	Missing Executive Office Approvals.	Med	Upon approval and adoption of a revised Policy and procedure(s), Management and HR should ensure that necessary management, supervisors and staff are adequately trained on the Policy and procedures to ensure compliance.	In Progress	3/31/2025	6/30/2025	☑	☑	☐	☐	☐	208

Reco Ref	Finding	Risk	Recommendation	Status	Initial Target	New Target	Extensions					Days Outstanding Since Audit Report
							1	2	3	4	5	
HR - Review of HR Recruiting & Hiring Process - REPORT DATE 04/18/2022												
F2	#3: Lack Structure, Culture & Service Level Agreements.	N/A	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.	In Progress	6/30/2023	6/30/2025	☑	☑	☑	☐	☐	1078
HR/Systems/Brd Asst -Termination of User Access Process - REPORT DATE 08/30/2024												
F1	1. Policies and procedures relating to the Termination Process are outdated and incomplete.	High	1. Human Resources (HR) management revise the Off-Boarding Forms and instructions to ensure that all separation activities, as noted in our report, are included.	Pending Auditor Verification	12/31/2024	6/30/2025	☑	☐	☐	☐	☐	213
F2	1. Policies and procedures relating to the Termination Process are outdated and incomplete.	High	2. HR, Systems, and the Executive Board Assistants collaborate on developing and documenting comprehensive procedures related to each of their respective roles in offboarding staff and terminating system access rights.	Pending Auditor Verification	12/31/2024	6/30/2025	☑	☐	☐	☐	☐	213
F3	1. Policies and procedures relating to the Termination Process are outdated and incomplete.	High	3. HR establish criteria for the frequency of updates to the off-boarding procedures and training to key stakeholders.	Pending Auditor Verification	12/31/2024	6/30/2025	☑	☐	☐	☐	☐	213
F4	2. There are inconsistencies in the application of Off-Boarding Procedures resulting in missing and incomplete separation records.	High	4. After implementation of Recommendations 1 and 2, ensure that the appropriate staff in all divisions are provided training on the revised off boarding and termination of access processes.	Pending Auditor Verification	12/31/2024	6/30/2025	☑	☐	☐	☐	☐	213
F5	2. There are inconsistencies in the application of Off-Boarding Procedures resulting in missing and incomplete separation records.	High	5. Executive Board Assistants and the Systems Division should incorporate a checklist into their off-boarding process to manage collection of devices and the removal of access privileges from all applications.	Pending Auditor Verification	12/31/2024	6/30/2025	☑	☐	☐	☐	☐	213
F6	3. Systems Access was not consistently deactivated in a timely manner.	High	6. HR, Systems, and the Executive Board Assistants collaborate in establishing a timeline and criteria to ensure timely removal of user access rights upon termination [for inclusion in the policies/procedures developed per recommendation #1].	In Progress	12/31/2024	12/31/2025	☑	☑	☐	☐	☐	213
F7	3. Systems Access was not consistently deactivated in a timely manner.	High	7. Perform a periodic review of user access to the Keycard system and Network, for removal of users that no longer require access.	In Progress	12/31/2024	12/31/2025	☑	☑	☐	☐	☐	213
F8	4. Process improvements are needed to adequately monitor and deactivate user access to non-network applications.	High	8. Systems Division Management should maintain a complete and current inventory of all non-SSO applications within LACERA.	In Progress	12/31/2024	12/31/2025	☑	☑	☐	☐	☐	213
F9	4. Process improvements are needed to adequately monitor and deactivate user access to non-network applications.	High	9. Systems Division Management should continue in their effort to incorporate current non-SSO applications under the SSO control umbrella whenever feasible.	In Progress	12/31/2024	12/31/2025	☑	☑	☐	☐	☐	213
F10	4. Process improvements are needed to adequately monitor and deactivate user access to non-network applications.	High	10. HR Management should ensure that updates to the Offboarding process to include procedures for notifying and ensuring that managers who oversee non-SSO applications remove terminated staff from those applications.	In Progress	12/31/2024	12/31/2025	☑	☑	☐	☐	☐	213

Reco Ref	Finding	Risk	Recommendation	Status	Initial Target	New Target	Extensions					Days Outstanding Since Audit Report
							1	2	3	4	5	
InfoSec - Board Vantage Security Settings - REPORT DATE 10/21/2022												
F1	Expected application access control restrictions were not validated.	High	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.	In Progress	6/30/2023	8/31/2025	☑	☑	☑	☐	☐	892
InfoSec - Third-Party Data Security - REPORT DATE 05/12/2023												
F1	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.	In Progress	7/31/2023		☑	☑	☐	☐	☐	689
**Legal - 2025 01	LA County Rehired Retirees Audit for FYE June 30, 2024 - REPORT DATE 11/15/2024**												
F1	Continued Violation of PEPRA's "limited duration" language.	High	We restate our recommendation from our previous audit reports of November 4, 2022 (FYE 2021 report), April 28, 2023 (FYE 2022 report), and November 14, 2023 (FYE 2023 report), that, 1. LACERA's Executive Office and Legal Office continue their discussions with the County regarding limited duration and whether policy provisions or practices can be added or strengthened to explicitly address the statutory requirement of limited duration. 2. 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 for County retirees, in addition to the current policy for LACERA employees, to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law.	New	6/30/2025		☐	☐	☐	☐	☐	136

RECOMMENDATION STATUS REPORT - STRATEGIC

Project Name	Report Date	Finding Title	Recommendation	Status Update
COSO: Forecasting / Budgeting				
Risk & Controls Assessment - Retiree Healthcare	7/14/2022	OBS 4 - RHC's administrative fee process is not formalized.	N/A - This was a strategic observation made by Internal Audit.	The Executive Team has already met with LA County's CEO and agreed on a process for tracking, monitoring, and reporting on RHC's administrative fee. As of August 2024, the Executive Office is in the process of drafting a Memo of Understanding (MOU) to formalize the process.
COSO: Internal & External Reporting				
Organizational Governance Review	7/20/2022	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.	This recommendation is being addressed through various means - 1) currently there is a draft staff communications plan, which Management expects to finalize FY 2024-2025, 2) a task within the Strategic Plan's 1st Objective is to develop a member-centric communications plan, and 3) Management plans to hire a public relations consultant
COSO: Organizational Structure				
Quality Assurance Operations Review	4/9/2021	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.	The Executive Team, QA and Benefits, are working together to address this in the long-term as this requires a significant amount of resource planning and strategizing within the organization.
Organizational Governance Review	7/20/2022	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.	Addressed. On July 23, 2024, the Executive Office provided the following update: Management will address at a later date. This recommendation will be addressed when Board charters are reviewed at a later date.
Organizational Governance Review	7/20/2022	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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 4th Objective "Enterprise Risk Management and Compliance."

RECOMMENDATION STATUS REPORT - STRATEGIC

Project Name	Report Date	Finding Title	Recommendation	Status Update
LA County Rehired Retirees FYE 2021	11/4/2022	Lack of adherence to PEPRA's "limited duration" language	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.	Moved to Strategic in September 2024. Pending staff and then Board of Retirement discussions regarding creating a new LACERA policy as pension administrator with respect to the County use of rehired retirees, to supplement the existing policy applicable to LACERA.
COSO: Performance Measures				
Quality Assurance Operations Review	4/9/2021	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.	The Executive Team, QA and Benefits, are working together to address this in the long-term as this requires a significant amount of resource planning and strategizing within the organization.
Organizational Governance Review	7/20/2022	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. 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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s Innovation thru Technology. Managment is in the process of creating data lakes to use Power Bi to update KPIs for Member Operations groups.
COSO: Risk Assessment				
Organizational Governance Review	7/20/2022	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.	During FY 2023-2024, Management made significant strides in formalizing LACERA's Compliance Program, including developing a program charter and revising the Audit Committee's charter. Enterprise Risk Management to be focused on during FY 2024-2025.
COSO: Training and Development & Talent Management				
Organizational Governance Review	7/20/2022	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.	This recommendation is part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s "Investing in People." Foundational work on this objective was done in FY 2023-2024. This specific recommendation is targeted for FY 2024-2025.
Organizational Governance Review	7/20/2022	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.	This recommendation is part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s "Investing in People." Foundational work on this objective was done in FY 2023-2024. This specific recommendation is targeted for post FY 2024-2025.

RECOMMENDATION STATUS REPORT - STRATEGIC

Project Name	Report Date	Finding Title	Recommendation	Status Update
Review of HR Recruiting & Hiring Process	4/18/2022	#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.	This recommendation is part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s "Investing in People." Foundational work on this objective was done in FY 2023-2024.
Review of HR Recruiting & Hiring Process	4/18/2022	#1: Lack a Planned, Measured and Optimized Recruiting Approach	Identify an individual or committee (governance structure) to oversee the alignment of the approved Workforce Plan and HR's Implementation Strategies for recruiting.	This recommendation is part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s "Investing in People." Foundational work on this objective was done in FY 2023-2024.
Review of HR Recruiting & Hiring Process	4/18/2022	#1: Lack a Planned, Measured and Optimized Recruiting Approach	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.	This recommendation is part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s "Investing in People." Foundational work on this objective was done in FY 2023-2024.

LACERA

April 4, 2025

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
              Debbie Martin (BOI), Chair
              Nicole Mi (BOI), Vice Chair
              Alma K. Martinez (BOI), Secretary
              Nancy Durazo (BOR), Trustee
              Jason Green (BOR), Trustee
              Wayne Moore (BOR), Trustee
              Elizabeth Ginsberg, Ex-Officio

             ACRE Committee Consultant
               Larry Jensen

FROM: Gabriel Tafoya
            Senior Internal Auditor

FOR**:**   April 24, 2025, Audit Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Recommendation Follow-Up for Sensitive Information Technology Areas**

The ACRE Charter (Charter), section VII.A.1i, mandates that the Committee monitor Internal Audit's recommendations to ensure Management has adequately and timely addressed the identified risks. The purpose of this memorandum is to update the Committee on the status of recommendations related to system and network security audits and assessments. In addition, this report provides a summary of work performed and recommendations closed to keep the Committee informed.

As of our last report in December 2024, eight recommendations have been closed:

- The Information Security Committee (ISC) met in February 2025 and decided to close six of the 2020 Clear Skies Penetration Test recommendations and discontinue any additional implementation efforts. The ISC accepted the associated risk based on their assessment.

- One SOC-1 Type 2 Readiness Assessment 2020, and one SOC-1 Type 2 FYE 2023 recommendations have been closed, although not yet implemented. Similar findings were also identified in the Termination of User Access Audit. To avoid duplication of effort, the recommendations will be addressed in our follow up of Termination of User Access recommendations.

Table 1: Current Recommendation Status as of 4/1/25:

Audit Report	Auditor	Rating	11/2024 Recos	New Reco	Closed	Total
SOC FYE 2023 - June 2023	Plante Moran	Med	1		-1	
Pen and Social Engineering - April 2022	Moss Adams	Med	1			1
SOC Readiness Assessment – Feb 2020	Plante Moran	Med	1		-1	
Pen Test and VeraCode Report – Mar 2020	Clear Skies	Med	3		-1	2
Pen Test and VeraCode Report – Mar 2020	Clean Skies	Low	6		-5	1
SOC FYE 2024 – June 2024	Moss Adams	High		1		1
TOTAL			**12**	**1**	**-8**	**5**

Information Technology General Controls (ITGC) are fundamental controls that apply to IT systems, including applications, operating systems, databases, and supporting infrastructure. The primary objective of ITGC is to ensure the integrity of the data and processes facilitated by these systems. Below is a table summarizing the types and statuses of recommendations reported to the Committee.

Table 2: Recommendations Status – By IT General Control Areas

ITGC	Control Description	4/1/25 Recos
Data Back Up & Recovery	Controls provide reasonable assurance that data and systems are backed up successfully, completely, stored offsite, and validated periodically.	—
Environmental	Controls provide reasonable assurance that systems equipment and data is adequately protected from environmental factors.	—
Information Security	Controls provide reasonable assurance that policies and procedures are in place to ensure effective communication of information security practices.	—
Logical Access	Controls provide reasonable assurance that logical access to applications and data is limited to authorized individuals.	4
Physical Security	Controls provide reasonable assurance that physical access to systems equipment and data is restricted to authorized personnel.	—
System Development & Change Management	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.	—
System Monitoring & Maintenance	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.	1
Totals		**5**

Internal Audit will continue to update the ACRE Committee on the status of recommendations at each Committee meeting.

Staff will be available to address questions at the April 2025, ACRE Committee meeting, but please remember that due to the sensitive nature of these IT recommendations we cannot provide additional details.