

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

(ACRE) COMMITTEE AND

BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

9:00 A.M., THURSDAY, JUNE 26, 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.

ACRE COMMITTEE TRUSTEES:

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

- 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 April 24, 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 Risk Assessment and Proposed Fiscal Year 2025-2026 Audit Plan**

Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: That the ACRE Committee provide further input on and/or approve the Internal Audit Proposed Fiscal Year 2025-2026 Audit Plan. (Presentation) (Memo dated June 5, 2025)

B. **Approval of Firms Selected for the Audit and Consulting Pool**

Recommendation as submitted by Leisha E. Collins, Principal Internal Auditor: That the ACRE Committee approve the selected firms for inclusion in the Internal Audit Division, Audit and Consulting Pool for a maximum five-year term. (Presentation) (Memo dated June 6, 2025)

VII. REPORTS

- A. **Los Angeles County Employee Retirement Association Pre-Audit Communication**
Nathan Amick, Senior Internal Auditor
(Presentation) (Memo dated June 5, 2025)
- B. **Ethics and Compliance Program Foundational Work Plan – Status Report**
Steven P. Rice, Chief Counsel
Allison E. Barrett, Senior Staff Counsel
(Memo dated June 5, 2025)
- C. **Fiscal Year 2024 - 2025 Audit Plan Status Report**
Nathan K. Amick, Senior Internal Auditor
(For Information Only) (Memo dated June 5, 2025)
- D. **Recommendation Follow-Up Report**
Leisha E. Collins, Principal Internal Auditor
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated May 30, 2025)
- E. **Recommendation Follow-Up for Sensitive Information Technology Areas**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated May 30, 2025)
- F. **Ethics Hotline Status Report**
Leisha Collins, Principal Internal Auditor
(For Information Only) (Memo dated June 6, 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 agenda item at a future meeting.)

X. ITEMS FOR FUTURE AGENDAS

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

XI. GOOD OF THE ORDER

(For Information Purposes Only)

XII. EXECUTIVE SESSION

A. Conference Legal Counsel - Existing Litigation

(Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)

1. *LACERA v. Marquez*

Los Angeles Superior Court, Case No. 25NNCV03240

(Memo dated June 9, 2025)

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

COMMITTEE TRUSTEES:

PRESENT: Debbie Martin (BOI), Chair
 Nicole Mi (BOI), Vice Chair
 Alma K. Martinez (BOI), Secretary (Joined the meeting at
 9:18 a.m.)
 Nancy Durazo (BOR), Trustee
 Jason Green (BOR), Trustee
 Wayne Moore (BOR), Trustee
 Elizabeth Ginsberg, Ex-Officio

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

STAFF, ADVISORS AND PARTICIPANTS:

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

George Lunde, Senior Internal Auditor

Christian Velasco, Senior Internal Auditor

Delfino Aguilar, Senior Internal Auditor

Larry Jensen, ACRE Committee Consultant

I. CALL TO ORDER

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

II. PLEDGE OF ALLEGIANCE

Trustee Green led the Trustees and staff in reciting the 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

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953 (f) (Continued)

(Trustee Martinez joined the meeting at 9:18 a.m.)

A physical quorum was present at the noticed meeting location. There was one request received from Trustee Martinez to attend by teleconference for Just Cause (B) Due to Contagious Illness. Trustee Martinez confirmed that there were no individuals 18 years of age or older present at the teleconference location.

IV. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Meeting of March 13, 2025

Trustee Moore made a motion, Trustee Mi seconded, to approve the Minutes of the Regular meeting of March 13, 2025. The motion passed by the following roll call vote:

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

Absent: Martinez

V. PUBLIC COMMENT

There were no requests from the public to speak.

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)

(Trustee Martinez joined the meeting at 9:18 a.m.)

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

VI. NON-CONSENT ITEMS (Continued)

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

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

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)

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

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

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

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)

Ms. Sun provided a brief presentation. Dr. Ntoya and Ms. Guglielmo were present to answer questions from the Committee.

VI. NON-CONSENT ITEMS (Continued)

Trustee Green made a motion, Trustee Moore seconded, to accept and file the report. The motion passed by the following roll call vote:

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

VII. REPORTS

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

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

This item was received and filed.

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

Mr. Amick provided a brief presentation. Messrs. Amick, Bendall were present to answer questions from the Committee.

This item was received and filed.

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

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

This item was received and filed.

- 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)

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

This item was received and filed.

E. **Recommendation Follow-Up Report**

Leisha E. Collins, Principal Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

(For Information Only) (Memo dated April 9, 2025)

Mr. Tafoya provided a brief presentation. Ms. Collins, Ms. Guglielmo, Dr. Ntoya and Messrs. Bendall, Granger answered questions from the Committee.

This item was received and filed.

F. **Recommendation Follow-Up Report for Sensitive Information Technology Areas**

Garbiel Tafoya, Senior Internal Auditor

(For Information Only) (Memo dated April 4, 2025)

This item was received and filed.

G. **Internal Audit Staffing Activity Report Update**

Richard P. Bendall, Chief Audit Executive

(Verbal Update)

Messrs. Aguilar, Velasco introduced themselves to the ACRE Committee. Mr. Bendall was present to answer any questions from the Committee.

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

Richard P. Bendall, Chief Audit Executive

(Verbal Update)

VII. CONSULTANT COMMENTS

Larry Jensen, Audit Committee Consultant

(Verbal Presentation)

There was nothing to report.

VIII. ITEMS FOR STAFF REVIEW

There was nothing to report.

IX. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

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

There was nothing to report.

XI. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:54 a.m.



June 5, 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

Audit Committee Consultant
Larry Jensen

FROM: Richard P. Bendall 
Chief Audit Executive

FOR: June 26, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Internal Audit Risk Assessment and Proposed Fiscal Year 2025-2026 Audit Plan**

RECOMMENDATION

The ACRE Committee provide further input on and/or approve the Internal Audit Proposed Fiscal Year (FY) 2025-2026 Audit Plan.

BACKGROUND

According to the Institute of Internal Auditor's (IIA's) *Global Internal Audit Standards* (Standards), Standard 9.4 states "The Chief Audit Executive (CAE) must discuss the internal audit plan, including significant interim changes, with senior management and the ACRE Committee. The plan and significant changes to the plan must be approved by the ACRE Committee."

Standard 9.4 also requires that the plan must, "Identify the necessary human, financial and technological resources necessary to complete the plan." Internal Audit resources are identified in the FY 2025-2026 Budget. However, due to the timing of the organization's budget cycle which begins in December, and Internal Audit's timeline for completing the Risk Assessment and Audit Planning process, we obtained approval from the Committee for our proposed FY 2025-2026 Budget at the Committee's March 2025 meeting.

At the April 2025 ACRE meeting, staff kicked-off the annual risk assessment process with an overview of the process to the Committee and a commitment that at the conclusion of our risk assessment process, we would provide the Committee with the FY 2025-2026 Audit Plan for approval. Based on our risk assessment efforts so far, as well as our collaboration with and input received from the ACRE trustees, Executive Management, division management and staff, along with collaboration among Internal Audit team and use of our judgement, we have developed a well-thought-out, risk-based audit plan for the Committee's further input and/or approval. However, we would be remiss in saying that the risk assessment process is complete and will have a continuous risk assessment process going forward.

RISK ASSESSMENT UPDATES

We have concluded in consultation with the *Global Internal Audit Standards* that the risk assessment process should be an annual but also ongoing continuous effort. We have included the revision of the risk assessment process as one of the objectives for this fiscal year on our 3-Year Strategic Road Map.

What we have done so far is to collaborate with the Ethics and Compliance team on revising the risk questionnaires to incorporate more nuanced compliance and ethics questions. We have received the completed questionnaires from most divisions and are following up with those that have not yet responded. We have begun follow-up meetings with managers and plan to continue meeting with managers and continue to do so on a more frequent basis throughout the year.

Further efforts to revise the risk assessment process include:

1. Better aligning Internal Audit's risk assessment with the organization's risk management efforts.
2. Ensuring the completeness and appropriate level of risk/audit areas included in the Audit Universe.
3. Evaluating the criteria, methodology and frequency used to objectively score risk/audit areas in the risk universe.

We will continue to report to the Committee on our efforts at revising and enhancing the risk assessment process.

However, at this time staff will provide a brief presentation to the Committee at your June meeting on the Proposed Internal Audit Fiscal Year 2025-2026 Audit Plan.

CONCLUSION

We request that the Committee provide further input on, and/or approve the Internal Audit Proposed Fiscal Year 2025-2026 Audit Plan.

Attachments:

- A. Proposed Fiscal Year 2025-2026 Audit Plan
- B. Presentation on Internal Audit's Fiscal Year 2025-26 Audit Plan

| Fiscal Year 2025-2026 INTERNAL AUDIT PLAN | | | | |
|---|----|--|-----------|-----------------|
| ENTERPRISE RISK MANAGEMENT (ERM) PLAN | | | | 10 - 20 Percent |
| ERM TASKS | | | | SOURCE/STATUS |
| ERM Program Plan | | | | |
| 1 | IA | Build out Risk and Control Register (integrated with Audit Plan projects) | Risk Mgmt | ERM |
| 2 | IA | Build aligned assurance model | Risk Mgmt | ERM |
| 3 | IA | Provide Risk & Control Training to MAC/SAC | Risk Mgmt | ERM |
| 4 | IA | Contract (co-source) with Pool Firm - design and development of a formal ERM program | Risk Mgmt | ERM |

| AUDIT PLAN | | | | 80 - 90 Percent |
|---|----------------------|---|-------------------|-------------------|
| DIVISION | AUDIT / PROJECT NAME | | PROJECT TYPE | SOURCE/STATUS |
| EXECUTIVE/ORGANIZATIONAL/LEGAL | | | | |
| 5 | Exec Office | Trustee Education and Travel | Assurance/Audit | Risk Based |
| 6 | Exec Office | LA County Rehired Retirees | Assurance/Audit | Risk Based |
| 7 | Exec Office | Assessment of Strategic Plan Progress | Assurance/Audit | Risk Based |
| 8 | Organizational | Continuous Audit Processing (CAP) | Assurance/Audit | Risk Based |
| 9 | Organizational | Other Value-Added Projects | Other-Value Added | Annual/Continuous |
| 10 | Organizational | Recommendation Follow-Up | Other Projects | Annual/Continuous |
| 11 | Organizational | Risk Assessment - Revised Process | Other Projects | Annual/Continuous |
| 12 | Organizational | ITCC Prioritization of Projects | Advisory | Risk Based |
| 13 | Organizational | Data Mining to Improve Forecasting/Operations | Advisory | Risk Based |
| 14 | Organizational | Compliance with Policy Review Periods | Compliance | Risk Based |
| 15 | Legal Office | Form 700/801 Review | Assurance/Audit | Risk Based |
| 16 | Legal Office | Ethics and Compliance (Hotline) | Compliance | Risk Based |
| 17 | Legal Office | Vendor Procurement/Contract Establishment | Assurance/Audit | Risk Based |
| ADMINISTRATION - Admin Serv, HR, Systems, Info Sec | | | | |
| 18 | Admin Serv | Vendor Security Assessment | Assurance/Audit | Carry Forward |
| 19 | Admin Serv | ECLM Centralized Contract Mgmt Function | Advisory | Risk Based |
| 20 | HR | Offboarding - Exit Interviews Review | Advisory | Risk Based |
| 21 | Systems | Mobile Device/Member Data Protection | Assurance/Audit | Risk Based |
| 22 | Systems | Oversight of SOC Audits FY 25 & 26 | Oversight | Annual/Continuous |
| 23 | Systems/InfoSec | Third Party Contracting and Contract Mgmt | Assurance/Audit | Risk Based |
| 24 | Info Sec | Risk Assessment/NIST Follow up Audit | Assurance/Audit | Risk Based |
| 25 | FASD | Oversight of Financial Audit FY 25 & 26 | Oversight | Annual/Continuous |
| 26 | FASD/Inv | FASD/Inv/Custodial Bank Roles | Advisory | Risk Based |
| 27 | FASD/Inv | Oversight of Actuarial Audit FY 25 & 26 | Oversight | Annual/Continuous |
| 28 | Investments | Securities Lending Review | Assurance/Audit | Carry Forward |
| 29 | Investments | Investment Office Risk Assessment | Advisory | Risk Based |
| OPERATIONS - Benefits, DRS, RHC, Member Services | | | | |
| 30 | Benefits | Accounts Settlements/Collections | Assurance/Audit | Risk Based |
| 31 | Benefits | Felony Forfeitures | Assurance/Audit | Risk Based |
| 32 | Benefits | GRC - Benefits Protection Unit (BPU) | Advisory | Carry Forward |
| 33 | Benefits | Unclaimed Accounts | Assurance/Audit | Risk Based |
| 34 | DRS | Case Management Follow up Audit | Assurance/Audit | Risk Based |
| 35 | Mbr Serv | Call Center - Drop rate/call data analysis | Advisory | Risk Based |
| INTERNAL AUDIT OPERATIONS | | | | |
| 36 | IA | Quality Assurance Improvement Program | Other Projects | Annual/Continuous |
| 37 | IA | Audit Committee Support | Other Projects | Annual/Continuous |
| 38 | IA | Manage Internal Audit 3-Year Roadmap | Strategic/IA Goal | Annual/Continuous |
| 39 | IA | Provide training to MAC and ACRE Committee | Strategic/IA Goal | Annual/Continuous |
| 40 | IA | IA Staff Training Plan | Strategic/IA Goal | Annual/Continuous |
| 41 | IA | IA Data Analytic Development | Strategic/IA Goal | Annual/Continuous |
| 42 | IA | Manage Continuous Audit Process (CAP) | Strategic/IA Goal | Annual/Continuous |

Internal Audit's Fiscal Year 2025-2026 Audit Plan

June 2025 ACRE Meeting

Present by:

Richard P. Bendall, Chief Audit Executive

Agenda



- Executive Summary
- Audit Planning Timeline
- Overview of Fiscal Year (FY) 2025-2026 Audit Plan
- Key Performance Indicators (KPI) Metrics and Success Framework
- Next Steps – ACRE Approval

Executive Summary



- **Professional and Statutory Requirements**

As required by the *Global Internal Audit Standards* issued by the Institute of Internal Auditor's (IIA) and by the Internal Audit (IA) Charter, the following Internal Audit Plan is submitted for **FY 2025-2026**.

- **Internal Audit at LACERA**

The mission of the Internal Audit division is to support LACERA's mission through independent, objective assurance, and consulting services.

- **Internal Audit Plan for FY 2025-2026**

Activities were identified by conducting risk assessments, consulting with LACERA management, and using auditor judgment.

| | |
|------------------------------------|------------------------|
| 4 ERM | 2 Compliance |
| 15 Assurance/Audit (including CAP) | 3 Oversight |
| 8 Advisory | 4 Other/Administrative |
| 1 Other Value-Added | 5 Strategic/IA Global |

Although this Internal Audit Plan contemplates a wide-ranging scope of activities, it does not provide coverage for all of LACERA's components or systems. Internal Audit maximizes the limited resources to provide reasonable coverage to the activities that are believed to require the most attention based on our risk assessment efforts.

Audit Planning Timeline



March



Obtain Approval for IA Budget

Obtain ACRE Committee approval of the FY 2025-2026 Internal Audit Budget based on a framework of expected 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

June



Obtain ACRE Committee approval of the FY 2025-2026 Audit Plan

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

July



Initiate work on FY 2025-2026 Audit Plan

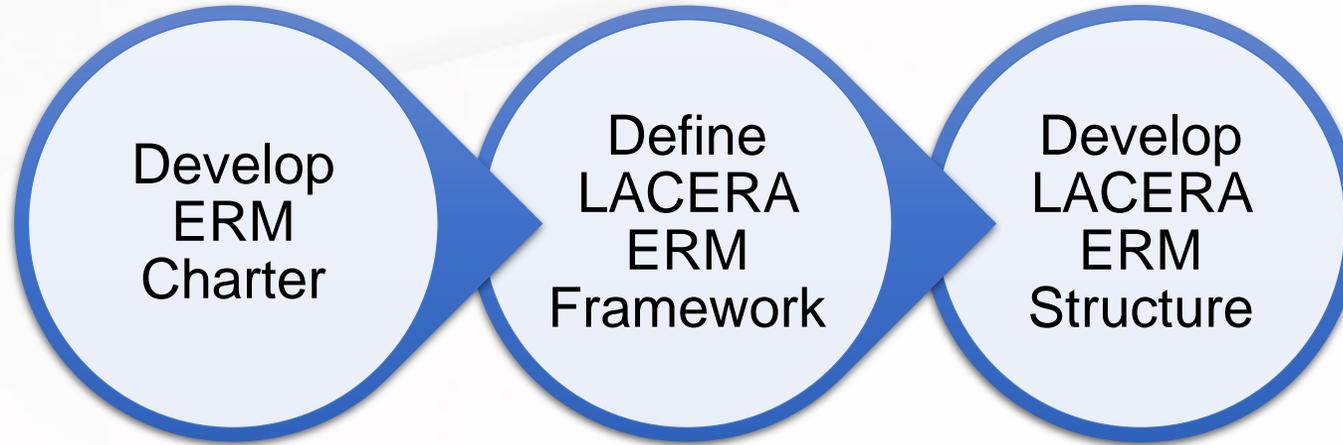
Overview of Fiscal Year 2025-2026 Audit Plan



Top Risk Areas



Enterprise Risk Management (Current FY2024-25 Plan)



ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management – Proposed FY2025-2026 Plan

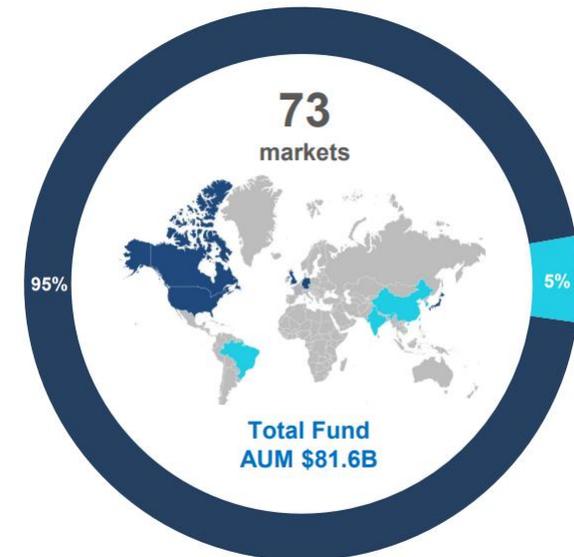


ENTERPRISE RISK MANAGEMENT

Investments



- Our focus on Investments includes the inclusion of the following projects on the Fiscal Year 2025-2026 Audit Plan:
 - Securities Lending (Carry forward from prior year plan) – Assurance/Audit
 - Review of Investment Office/FASD/Custodial Bank Roles – Advisory
- To further identify opportunities for Internal Audit to ensure coverage of investment related risks, we will be engaging one of the ACRE approved pool external audit firms to perform a risk assessment of the Investment Office scope of activities and identify key risk/audit areas to include on Internal Audit's Investment Office risk universe.





- Ethics and Compliance is currently conducting a Cultural survey based on LACERA's values, in connection with Internal Audit, HR and the Executive Office.
- While not specifically identified on the Audit Plan, culture is inherently considered in all areas of review.





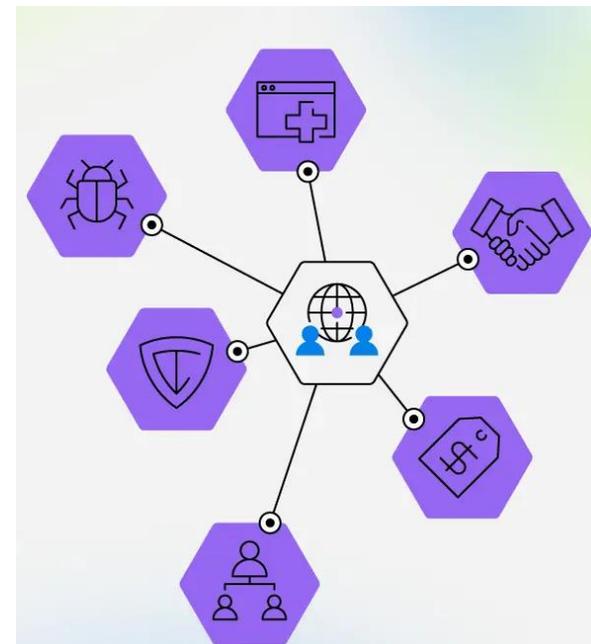
- Mobile Device/Member Data Protection
- Oversight of SOC Audits Fiscal Years 2024-2025 & 2025-2026
- Third Party Contracting and Contract Management
- Risk Assessment/NIST Follow-up Audit
 - IT Risk Assessment/NIST Review is currently in progress and includes the Auditor providing Internal Audit with suggested audit areas for inclusion in our IT Risk Universe.



Third Party Relationships/Contracts



- The FY 2025-26 Audit Plan has a strong focus on this key risk area and includes two Advisory projects:
 - Information Technology Coordination Council (ITCC) Prioritization of Projects
 - Enterprise Contract Lifecycle Management (ECLM) - Centralized Contract Management Function
- The plan also includes the following three Assurance/Audit projects:
 - Contract Establishment in the Vendor Procurement Process – focused on the Legal Office contracting process.
 - Third Party Contracting and Contract Management focused on Systems and Information Security contracts.
 - One or more Vendor Security Assessments of Software as a Service (SaaS) Applications – key to ensuring that LACERA data is protected in the hands of third parties.



Compliance – Legal/Regulatory



- Ethics and Compliance Hotline
- Form 700/801 Review
- Vendor Procurement/Contract Establishment



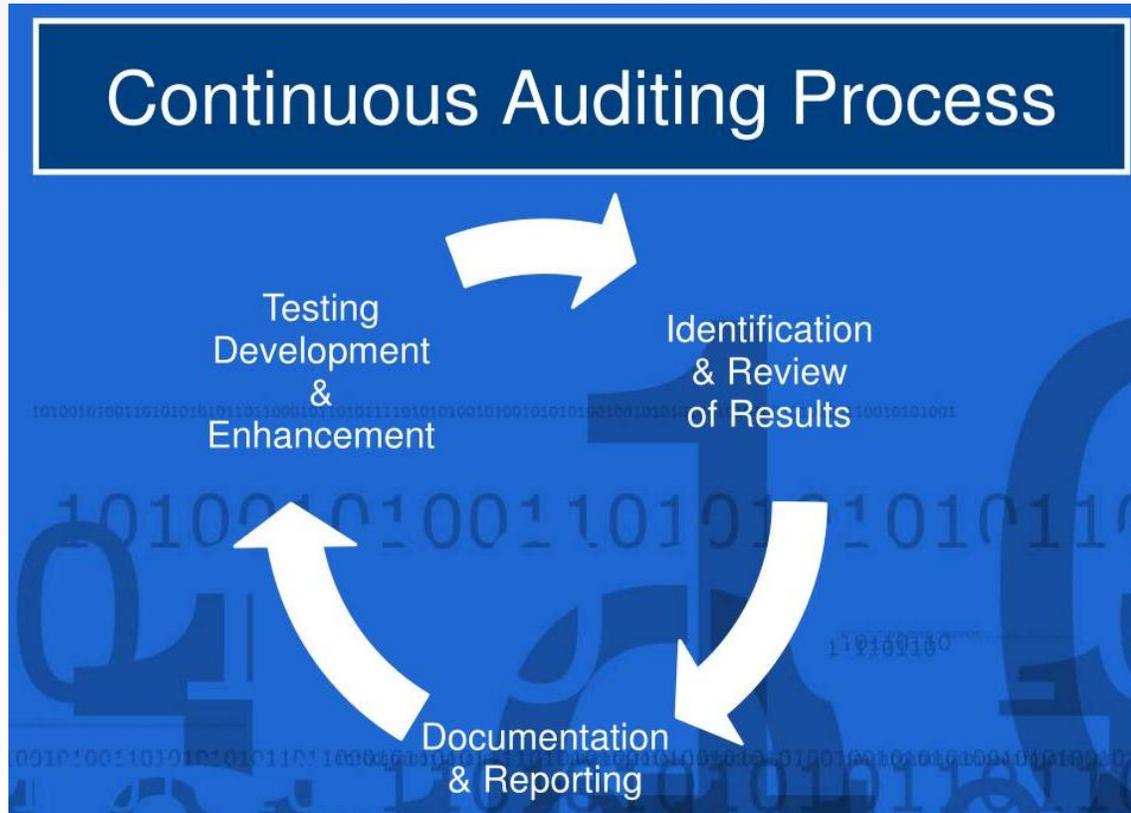
3 Carry Forward Projects Included from FY 2024-2025 Plan



1. Vendor Security Assessment
2. Governance Risk and Control (GRC) – Benefits Protection Unit (BPU)
3. Securities Lending

*Also considered for carry forward from the Fiscal Year 2024-2025 Plan was the Death Process Audit. However, since this process is next in line for the Case Management project, we removed the audit. Rather Internal Audit staff will participate in a “value-added” capacity in the project.

Continuous Process Auditing (CAP) Tests



1. CEO Credit Card
2. Duplicate Special Member Payments
3. Employee Bonuses
4. Investment Fees
5. LACERA Rehired Retiree
6. Required Minimum Distribution
7. Termination of Access
8. Vendor Payments
9. Wire Transfers – B of A
10. Wire Transfers – State Street Bank

Other Value-Added Projects



Along with all the risk, advisory and assurance projects that Internal Audit works on, we are often also engaged collaboratively by either Executive Office, division management or staff to provide informal consulting and advice.

Under the revised IIA Global Internal Audit Standards, these efforts by Internal Audit are defined as Other Value-Added services.

This year we are including this for the first time as single line item on the audit plan and will report out to the ACRE Committee on all the areas in which we provided such services at year end. While we do not individually spend a significant amount of time on these value-added services, it does add up throughout the year and should be tracked and reported. These efforts also contribute to our ongoing risk assessment of the organization.

KPI Metrics and Success Framework



As part of our 3-Year Road Map, Internal Audit's strategic plan, we are formalizing all of the KPIs and will be providing those to the ACRE Committee. One of those related to the Annual Audit Plan is to ensure that we complete at least 85 percent of the plan.

Other Metrics tracked include:

1. The time to complete engagements
2. Implementation of audit recommendation timeliness
3. Stakeholder satisfaction surveys

A full report of Internal Audit's KPIs will be provided to the ACRE at the August 2025 meeting.

We strive for continuous improvement and to ensure that we align with the Institute of Internal Auditors (IIA)'s *Global Internal Audit Standards* in the performance of our work.

KPI
(Key Performance Indicators)



Next Steps – ACRE Approval



We request the ACRE Committee's further input on and/or approval of the Fiscal Year 2025-2026 Audit Plan.



June 6, 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: June 26, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Approval of Firms Selected for the Audit and Consulting Pool**

RECOMMENDATION

The ACRE Committee approve the selected firms for inclusion in the Internal Audit Division, Audit and Consulting Pool for a maximum five-year term.

BACKGROUND

Section VII.A.2b. of the ACRE Charter stipulates that the Committee approves the appointments of other Professional Service Providers selected for inclusion in Internal Audit's Audit Pool to perform non-financial statement audits, reviews, or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impact the purpose or methods of the audit.

In accordance with the Charter, the ACRE Committee approved the issuance of an auditing and consulting services Request for Proposal (RFP) at the December 2024 Meeting. The purpose of the RFP was to select additional qualified firms for inclusion in Internal Audit's existing audit pool for three years, with a two-year extension option. The firms will conduct assurance, advisory or value-add engagements from Internal Audit's fiscal audit plans on an as needed basis. Inclusion in the audit pool does not guarantee a firm is awarded any engagements and firms may be added or deleted in accordance with the ACRE charter. Services are categorized into four areas:

Investments – Services include performing assurance, advisory, and value-add engagements related to LACERA's portfolio, risk assessments, investment accounting, middle and back-office operations, and due diligence policies and procedures.

Information Technology (IT) – Services include assurance, advisory, and value add engagements related to assessing the governance, risk, and controls of LACERA’s System and Information Security operations, LACERA’s IT network, architecture, applications, and projects. These engagements will require extensive knowledge and experience in information technology risks and controls.

Organizational Operations - Services include assurance audits, advisory services, value add engagements and agreed-upon procedure reviews. Scope of work may include evaluating the effectiveness of internal controls encompassing LACERA’s governance, and/or operations. Engagements could be conducted in any of LACERA’s divisions.

Internal Audit Consulting – Services are for the Internal Audit Division and will enhance audit competencies and improve internal audit efficiencies. Services include consulting on audit Standards and emerging audit issues, as well as assistance in implementing audit best practices and enhancing the quality assurance and improvement program.

FIRM SELECTION PROCESS

The Audit and Consulting Pool RFP was issued in February 2025, and ten firms submitted proposals: Armanino Advisory LLC, Crowe LLP, Canaudit, Inc. Eide Bailey LLP, Grant Thornton, GoldSRD, HORNE, Macias Ginni & O’Connell LLP (MGO), Simpson & Simpson LLC, and Tap International. The evaluation team thoroughly reviewed and scored each proposal based on the evaluation criteria, which included each firm’s qualifications, team experience and skill set, audit methodology, and completeness of the proposal. While the hourly rates of each firm were assessed for reasonableness, they did not affect the overall score.

Firms that achieved a score of 8 or higher on a 10-point scale within each of the RFP service areas are being considered for inclusion in the audit pool. The table below lists the firms selected for the pool, categorized by service area. Detailed descriptions of each firm, including their experience and qualifications, can be found in Attachment A.

(firms listed alphabetically)

| Firm | Investments | IT | Organizational | Audit |
|-----------------------|--------------------|-----------|-----------------------|--------------|
| Armanino Advisory LLP | | | X | X |
| Canaudit | | X | | |
| Crowe LLP | | X | X | X |
| Eide Bailly LLP | | X | X | X |
| GoldSRD | | | | X |
| Grant Thornton | X | X | X | X |
| HORNE | | | X | X |
| MGO | X | X | X | X |
| Simpson & Simpson | | X | | |
| TAP International | | | X | X |

RECOMMENDATION

Internal Audit seeks approval to expand the existing audit and consulting pool of firms specializing in organizational operations, Information Technology, investments and internal audit consulting. Staff will engage these firms to perform assurance, advisory or value-add engagements from Internal Audit's audit plan, on an as-needed basis. The Committee is requested to approve the selected firms for the Audit and Consulting Pool for a maximum five-year term.

Attachments

Attachment A: Firm Experience and Qualifications

Attachment B: Presentation

Armanino Advisory LLC

Business Establishment

- **Founded:** 1969
 - **Corporate Structure:** Accounting and Consulting firm; Licensed independent CPA Firms
 - **Headquarters:** San Ramona, CA
 - **Other Offices:** Over 20 locations across the U.S.
-

Recommended Service Area: Organizational, Internal Audit
Expertise in Providing Services

Armanino has developed deep expertise in internal audit, consulting, and risk advisory services, particularly for public sector entities, retirement systems, and financial organizations. The firm applies a structured, risk-based methodology aligned with the Institute of Internal Auditors' standards, emphasizing operational efficiency, compliance, and governance. Armanino demonstrates strong capabilities in Enterprise Risk Management (ERM) through its integrated approach to internal audit and consulting services. The firm emphasizes a risk-based methodology that aligns with the Institute of Internal Auditors' standards and is tailored to each client's strategic objectives and risk profile. Their audit capabilities span Big Four firms, government auditing, ERM and leadership roles in national consulting practices, ensuring a high level of technical proficiency and strategic insight. Core competencies include:

- **Internal Audit Services:** Risk-based audits focusing on internal controls, compliance, and operational efficiency and data analytics.
- **Internal Controls evaluations,** fraud prevention, Sarbanes-Oxley (SOX) compliance, and ERM.
- **IT Audit & Cybersecurity:** Expertise in frameworks like NIST, ISO 27001, SOC, and cloud environments (AWS, Azure, Google Cloud), penetration testing, IT general controls, and cybersecurity risk assessments.
- **Organizational Consulting:** Reviews of governance, resource allocation, and operational processes to identify inefficiencies and implement performance-enhancing solutions.
- **Extensive experience** conducting operational engagements, including enterprise compliance, ethics, culture, human resources, facilities management, and oversight of third-party service providers.

Significant Past Projects and Services

- Internal and IT audits for Jefferson County Public Schools and the City of St. Louis Department of Health
- Investment and organizational audits for the St. Louis Metropolitan Sewer District
- Internal audit and IT risk assessments for the United Soybean Board
- Consulting and assurance services for Amerant Bank, Federal Home Loan Bank of San Francisco, and Dime Community Bank

Canaudit Inc.

Business Establishment

- **Founded:** 1985
 - **Corporate Structure:** Privately held California corporation; Partially owned by TWHC, a full-service CPA firm
 - **Headquarters:** Burbank, California
-

Recommended Service Area: Information Technology **Expertise in Providing Services**

Canaudit Inc. has over 30 years of specialized experience in information systems and security auditing. The firm has built a strong reputation for delivering high-quality IT audit and consulting services to a diverse range of clients, including local and federal government agencies, financial institutions, healthcare providers, and educational organizations. Canaudit is particularly known for its expertise in penetration testing, vulnerability assessments, and IT general controls reviews. The firm is committed to establishing long-term relationships and providing tailored information technology training and services. Their team is composed of seasoned professionals with deep technical knowledge and industry certifications such as CISA, CISSP, and Security+. Their core competencies include:

- Specialized experience in IT auditing and information security consulting.
- Deep expertise in internal and external network penetration testing, vulnerability assessments, and IT general controls reviews, IT risk assessments and policy/procedure analysis
- Strengthened security postures across diverse environments, including cloud, web applications, and mobile platforms.
- Proficient in tools like Nmap, Nessus, Metasploit, Burp Suite, and programming languages including Python, Java, SQL, and C++.
- Methodology incorporates best practices from NIST Cybersecurity Framework, CVSS, and other global Standards.
- Extensive experience conducting web application security assessments,
- Compliance with standards such as NIST, CIS, FFIEC, ISO/IEC 27001, COBIT

Significant past projects include:

- City and County of San Francisco: Penetration testing and vulnerability assessments
 - New York Independent System Operator: Network and web application security assessments
 - NIH Federal Credit Union: Comprehensive IT audit services including vendor management and physical security reviews
-

CROWE

Business Establishment

- **Founded:** 1942
- **Corporate Structure:** Global accounting consulting firm; independent member of Crowe Global
- **Headquarters:** Chicago, IL
- **Other California Offices:** Orange County, Sacramento, San Francisco, San Jose

Recommended Service Areas: IT, Organizational, Internal Audit Expertise in Providing Services

Crowe LLP brings over 80 years of experience in auditing and consulting, with a strong focus on public sector clients, including retirement systems and government agencies. Their audit team brings extensive knowledge in areas such as quality assurance, IT audits, cybersecurity, and risk management. Crowe's professionals are well-versed in the AICPA Standards of Consultancy, IIA Standards, and Generally Accepted Government Auditing Standards (GAGAS), ensuring that their services are compliant, effective, and tailored to the unique needs of public sector clients. The firm has a robust presence in California, having completed over 250 projects for various state agencies. Their core competencies include:

- **Internal Audit Services:** Risk-based auditing, co-sourced engagements, internal control testing, and quality assurance reviews.
- **IT Audit & Cybersecurity:** IT governance, cybersecurity assessments, penetration testing, and cloud security audits.
- **Regulatory Compliance:** Expertise in ERS regulations, fraud risk assessments, and fiduciary responsibilities.
- **Enterprise Risk Management:** Development and implementation of ERM programs aligned with COSO and industry best practices.
- **Public Sector Specialization:** Decades of experience with state and local governments, retirement systems, and educational institutions.

Significant past projects include:

- **San Diego County Employees Retirement Association (SDCERA):** Co-sourced internal audits covering collections, disability, and reciprocity processes.
 - **California State Teachers' Retirement System (CalSTRS):** Provided independent financial statement audits and GASB compliance services.
 - **Washington Metropolitan Area Transit Authority (WMATA):** Helped establish WMATA's internal audit function and launched its ERM program.
 - **State University System of Florida:** Conducted a system-wide internal control and business process review across 12 universities.
 - **Illinois Municipal Retirement Fund:** Delivered IT risk assessments, cybersecurity audits, and penetration testing services.
-

Eide Bailly LLP

Business Establishment

- **Founded:** 1917
 - **Corporate Structure:** A national CPA and consulting firm
 - **Headquarters:** Fargo, ND
 - **Other Offices:** More than 50 offices across 17 states, with 14 offices in California
-

Recommended Service Areas: IT, Organizational, Internal Audit Expertise in Audit Services

Eide Bailly LLP distinguishes itself through its extensive experience and deep specialization in serving governmental entities and public employee retirement systems. With over 100 years of service, Eide Bailly offers a robust team of professionals who bring a wealth of knowledge in internal audits, risk assessments, and compliance reviews. Their team has a proven track record of managing complex audit engagements for large retirement systems, ensuring compliance with regulatory standards and enhancing operational efficiencies and are deeply experienced in internal audits, risk assessments, and compliance reviews for large, complex organizations. Their core competencies include:

- **Internal and Performance Audits:** Including risk assessments, operational reviews, and compliance testing.
- **Information Technology Audits:** Covering cybersecurity, IT general controls, SOC reporting, and data integrity.
- **Investment Audits:** Specialized in complex asset classes such as private equity, hedge funds, and real estate.
- **Organizational Operations:** Enterprise risk management, business continuity, and internal control evaluations.
- **Consulting Services:** Including forensic accounting, fraud investigations, and process improvement strategies.

Significant past projects include:

- Washington State Investment Board- Audited \$211 billion in assets including hedge funds, private equity, real estate, and commingled trust funds.
 - San Diego County Employees Retirement Association (SDCERA) - Co-sourced internal audit services including audits of contract management, retiree benefits, and cost-of-living adjustments.
 - Orange County Sanitation District (OC SAN) - Conducted cybersecurity internal controls assessments and various internal audits.
 - Commonwealth Savers Plan (Virginia) - Provided outsourced internal audit, IT controls review, and SEC530 compliance review.
 - Municipal Fire and Police Retirement System of Iowa - Audited \$3.2 billion in assets including fund of funds and real estate.
-

GoldSRD

Business Establishment

- **Founded:** 2009
 - **Corporate Structure:** S Corporation, solely owned and operated
 - **Headquarters:** Dallas, TX
-

Recommended Service Area: Internal Audit

Qualifications and Expertise

GoldSRD brings over 15 years of experience delivering audit, advisory, consulting, and professional development services across a wide range of industries and organizational sizes. The firm has developed a strong reputation for its expertise in internal audit best practices, information technology audits, and governance and operational reviews. Their leadership team includes seasoned professionals with decades of experience in internal audit, including former executives and chief compliance officers. The firm's approach is pragmatic and adaptable, emphasizing quality, value, and client-specific customization. GoldSRD has worked with hundreds of organizations globally and has a proven track record of enhancing internal audit methodologies, conducting IT risk assessments, and co-sourcing audits for large, complex entities. Core competencies include:

- Internal audit methodology enhancement and quality assurance reviews
- Information technology risk assessments and audits
- Financial services auditing and consulting
- Organizational operational audits across multiple industries
- Co-sourced audit engagements with large, complex organizations
- Professional development and training in internal audit best practices

Significant past projects include:

- Provided internal audit training and methodology consulting to LACERA Internal Audit
 - Delivered internal audit co-sourcing, SOX rationalization, and staff augmentation for ACCO Engineered Systems.
 - Conducted internal audit training and methodology enhancement for Mechanics Bank since 2022.
 - Led internal audit and compliance functions for major financial institutions, including Santander Consumer USA and General Motors Financial.
 - Delivered customized risk and controls training for professional development engagements.
-

Grant Thornton

Business Establishment

- **Founded:** 1924
- **Corporate Structure:** The firm operates under an alternative practice structure, with audit and assurance services delivered through Grant Thornton LLP.
- **Headquarters:** Chicago, IL
- **Other Offices:** Multiple locations across the United States.

Recommended Service Areas: Investments, IT, Organizational, Internal Audit

Qualifications and Expertise

The firm's approach is grounded in collaboration, transparency, and tailored service delivery. Grant Thornton has a proven track record of working with large public pension systems, investment boards, and government agencies, offering services such as internal audit co-sourcing, IT security assessments, and operational reviews. Grant Thornton brings a robust blend of public sector experience, technical expertise, and innovative methodologies to its audit and consulting services. Their team includes professionals with deep experience in internal audit, IT risk, cybersecurity, investment operations, and enterprise risk management, all of which align with LACERA's needs. Core Competencies include:

- **Internal Audit Services:** Co-sourced and outsourced audit engagements, including risk assessments, audit planning, execution, and reporting aligned with IIA Standards.
- **Information Technology and Cybersecurity:** IT general controls audits, cybersecurity assessments, vulnerability management, and compliance with ISO 27001 Standards.
- **Investment Operations and Compliance:** Audit consulting services related to investment portfolios, including governance, risk management, and operational efficiency.
- **Enterprise Risk Management (ERM):** Design and implementation of ERM frameworks, risk identification and mitigation strategies, and integration with strategic planning.
- **Regulatory Compliance and Quality Assurance:** Support for compliance with federal, state, and industry-specific regulations, including SOC reporting and control evaluations.
- **Data Analytics and Performance Improvement:** Use of advanced analytics to identify trends, inefficiencies, and opportunities for operational enhancement.

Significant past projects include:

- Internal audit and consulting to large public pension systems and investment boards.
 - Delivered IT security assessments aligned with ISO 27001 standards, including access control, network security, and incident response for large organizations.
 - Conducted enterprise risk assessments and control evaluations for public sector clients.
 - SOC reporting, cybersecurity strategy, and vulnerability management.
 - Implemented change management, capacity planning frameworks.
 - Delivered training and advisory on audit best practices and risk mitigation strategies.
-

HORNE

Business Establishment

- **Founded:** 1962
 - **Corporate Structure:** HORNE is a professional services firm with a CPA heritage
 - **Headquarters:** Ridgeland, MS
 - **Other Offices:** New Orleans, LA; Memphis and Nashville, TN
-

Recommended Service Areas: Organizational, Internal Audit Qualifications and Expertise

HORNE LLP is a professional services firm with a foundation in public accounting and over 60 years of experience delivering audit, consulting, and advisory services to state and local governments, financial institutions, and public sector organizations. Their team includes a diverse mix of professionals and data scientists, offering a multidisciplinary approach to solving complex challenges. HORNE's services are grounded in industry best practices and are informed by decades of experience. The firm has deep expertise in internal audit, IT assurance, risk management, and regulatory compliance. Their professionals have led engagements for major financial institutions, government agencies, and public companies, including internal audit outsourcing, SOX 404 compliance, enterprise risk assessments, and cybersecurity reviews. Core Competencies include:

- Internal audit outsourcing and co-sourcing
- IT audits and cybersecurity risk assessments
- SOC 1, SOC 2, and SOC 3 reporting
- SOX 404 and FDICIA compliance testing
- Enterprise risk management and operational risk assessments
- Business continuity and incident response program reviews
- Technical assistance and audit process implementation

Significant past projects include:

- **Freddie Mac:** Led ERM and internal audit oversight for \$1.8 trillion in residential mortgage purchases and \$200 billion in commercial mortgage portfolios.
 - **Citigroup:** Directed accounting policy and internal controls for \$150 billion in retail banking operations.
 - **Louisiana Department of Economic Development:** Conducted over 100 assurance engagements related to tax credit programs.
 - **Multiple Farm Credit Associations:** Delivered internal audit and credit review services across 11 associations.
 - **Healthcare sector:** Conducted IT control reviews for member hospitals to ensure HIPAA compliance and data integrity.
-

Macias Gini & O'Connell LLP (MGO)*

Business Establishment

- **Founded:** 1987
 - **Corporate Structure:** MGO is a national public accounting and consulting firm
 - **Headquarters:** Los Angeles, CA
 - **Other Offices:** Sacramento, San Diego, Walnut Creek, San José, Irvine, Chicago, Austin
-

Recommended Service Areas: Investments, IT, Organizational, Internal Audit Qualifications and Expertise

MGO has significant experience in providing auditing and consulting services to state and local governments, including internal audits, performance audits, agreed-upon procedures engagements, and consulting services. MGO has extensive experience conducting audits across a wide range of functions including finance, IT, human capital, operations, and compliance. Their approach emphasizes collaboration, responsiveness, and strategic alignment with client goals, ensuring that audit activities not only meet compliance requirements but also add value to organizational performance. MGO's team includes former government leaders and professionals with extensive experience in internal audit, financial management, strategy, staffing, operations, and information technology. Core Competencies include:

- Internal Audits: Co-sourcing and outsourcing arrangements, risk assessments, audit execution, board reporting, and corrective action monitoring.
- Performance Audits: Conducted under GAGAS to assess economy, efficiency, and effectiveness.
- Agreed-Upon Procedures (AUPs): Targeted engagements under AICPA Standards.
- Specialized Areas:
 - Financial & Accounting: Payroll, procurement, vendor management, etc.
 - Information Technology: Cybersecurity, IT governance, disaster recovery, etc.
 - Human Capital: Recruitment, retention, succession planning.
 - Operational: Customer service, supply chain, grant management.
 - Construction and ERM: Contract audits, risk assessments, and program design
 - Investment audits and portfolio risk advisory
 - Strategic planning, operational assessments, and process improvement

Significant past projects include:

- CalSTRS: Investment audits and internal audit services.
- City and County of San Francisco: Performance audits and compliance reviews
- County of Orange, CA: Multiple performance audits including procurement governance and waste/recycling vendor management.
- San Diego City Employees' Retirement System: Financial audits for over 20 years.
- San Francisco Employees' Retirement System: Financial and compliance audits.

**Note: MGO is currently the LA County Financial Auditor, however, with consult with LACERA Legal Office, it was determined that there is not a conflict of interest. Additionally, MGO will not be assigned to any engagements relating to LA County.*

Simpson & Simpson CPAs

Business Establishment

- **Founded:** 1976
 - **Corporate Structure:** Simpson & Simpson, CPAs is a partnership-based firm
 - **Headquarters:** Torrance, CA
-

Recommended Service Area: IT Qualifications and Expertise

Simpson & Simpson CPAs is a well-established firm with over 40 years of experience providing IT audit and risk management services, particularly to government entities. Their expertise spans federal, state, and local agencies, including the USDA, LAUSD, LACOE, and the City of Los Angeles. The firm specializes in IT general and application controls audits, leveraging frameworks such as NIST, COBIT, ISO27000, and ITIL. Their team includes highly credentialed professionals with decades of experience in IT auditing. The firm's IT audit practice is deeply experienced in evaluating ERP systems (SAP, Oracle, PeopleSoft), cybersecurity, business continuity, and vulnerability management. Their methodology includes risk-based planning, control assessments, and the use of advanced tools like IDEA and CIS-CAT. Core competencies include:

- IT general and application controls audits
- Risk assessments and internal control evaluations
- ERP systems audit (SAP, Oracle, PeopleSoft)
- Cybersecurity and vulnerability management
- SOC 1 Type 2 audits and SSAE reviews
- Compliance with NIST, COBIT, ISO27000, and FISCAM standards
- Performance audits and agreed-upon procedures
- Use of audit tools like IDEA and CIS-CAT

Significant past projects include:

- **USDA:** Multi-year contract conducting general and application controls audits across 29 agencies and hundreds of systems.
 - **LAUSD:** Over a decade of financial and IT audits, including SAP ERP system evaluations and Single Audit compliance.
 - **LACOE:** Performance audits of fiscally independent school districts, focusing on payroll, benefits, accounts payable, and IT.
 - **City of Los Angeles ITA:** Conducted SSAE SOC 1 Type 2 audits for over 10 years.
 - **Volunteers of America Los Angeles:** Annual financial and IT audits for over a decade.
 - **Federal agencies:** Audits for the Departments of Agriculture, Defense, Education, Interior, and others, including FISCAM-based reviews.
-

TAP International

Business Establishment

- **Founded:** 2011
 - **Corporate Structure:** TAP International, Inc. is a California S Corporation
 - **Headquarters:** Pasadena, CA
 - **Other Offices:** Sacramento, CA and San Diego, CA
-

Recommended Service Areas: Organizational, Internal Audit Qualifications and Expertise

TAP International, Inc., has a strong track record in delivering performance, internal, IT, and compliance audits for public sector clients. Their staff includes certified internal auditors, fraud examiners, and IT audit specialists, many of whom have held leadership roles in federal and local government audit functions. TAP International is known for its innovative, mixed-method audit approaches, combining qualitative and quantitative techniques to deliver actionable, evidence-based recommendations. Their services are grounded in Generally Accepted Government Auditing Standards (GAGAS), Institute of Internal Auditors (IIA) standards, and AICPA guidelines. TAP also emphasizes client collaboration, transparency, and continuous communication throughout the audit lifecycle, ensuring that findings are defensible and aligned with client goals. Core Competencies include:

- Performance, internal, IT, and compliance auditing
- Enterprise risk assessments and internal control evaluations
- Financial and operational analysis
- Contract and procurement audits
- Fraud investigations and forensic reviews
- Organizational and staffing assessments
- Data analytics, statistical modeling, and transaction testing
- Customized training in auditing, financial controls, and leadership

Significant past projects include:

- Bay Area Rapid Transit (BART): Conducted enterprise risk assessments, payroll and overtime audits, and inventory management reviews.
 - Port of San Diego: Performed financial and organizational audits of the Finance Department and low-carbon energy program compliance.
 - City of Pasadena: Delivered IT audits, internal audits, and compliance reviews.
 - Port of Los Angeles: Audited parking revenue collections and contractor oversight.
 - California Department of Insurance: Led a triennial examination of the Surplus Line Association of California, assessing compliance, internal controls, and financial health.
 - San Diego Department of Social Services: Developed IT strategy and conducted financial analysis for program expansion.
-



Approval of Auditing and Consulting Pool

Presented by:

Leisha E. Collins, Principal Internal Auditor

Recommendation and Background



Recommendation: Staff request the ACRE Committee approve the selected firms for inclusion in Internal Audit's Audit and Consulting Pool.



ACRE Charter Authority: The Committee approves the appointments of other Professional Service Providers selected for inclusion in Internal Audit's Audit Pool to perform non-financial statement audits, reviews, or consulting services.



Purpose of RFP: The RFP seeks to identify additional qualified firms for inclusion in the existing audit pool for maximum five years. These firms will be engaged to perform assurance, advisory or value-add services based on the Audit Plan, and as needed.



Issuance of RFP: ACRE approved the issuance of the RFP at the December 2024 meeting. The RFP was issued in February 2025 with four categories of service areas: Investments, Information Technology, Organizational operations, Internal audit consulting.



Internal Audit conducted a comprehensive search to identify a broad and diverse spectrum of candidates for the Audit Pool.

As a result of our strategy, we received 10 bids from the following firms:

- Armanino Advisory LLC
- Canaudit
- Crowe LLP
- Eide Bailly LLP
- Grant Thornton
- GoldSRD
- HORNE
- MGO
- Simpson and Simpson

Evaluation & Scoring Criteria

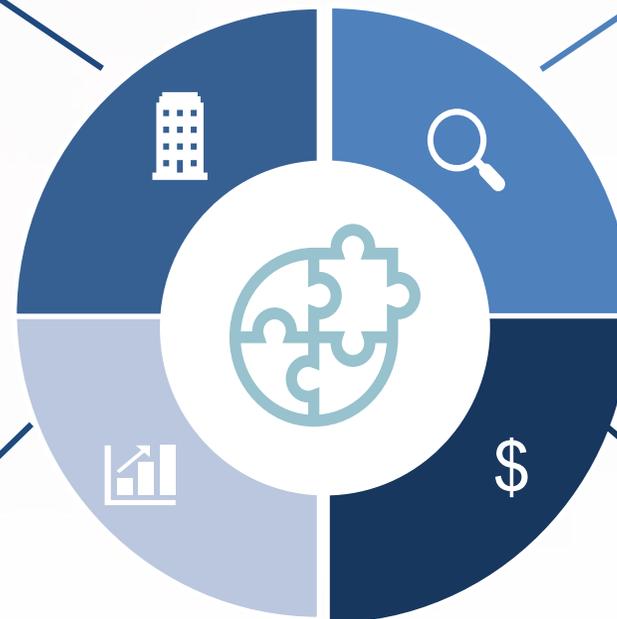


Firm Qualification & Experience (25%)

- Firm longevity and continuity
- Firm's experience providing services we seek
- Firm references in alignment with RFP services
- Diversity and inclusion efforts within the Firm

Team Credentials (40%)

- Professional and academic qualifications
- Applicable knowledge and experience
- Client references and work relevant to service areas



Methodology & Approach (25%)

- Client service approach
- Engagement workplan, methodology and approach
- Relevant and effective reporting framework
- Overall presentation and completeness of proposal

Fee Proposal (10%)

- Fees proposed per position
- Average hourly rate comparison

Selection of Firms



Internal Audit is proposing that firms scoring 8 or higher on a 10-point scale, within each of the RFP service areas, for inclusion in the Audit and Consulting Pool. The following table lists the nine firms categorized by service area. A description of each firm, their experience, and qualifications is included in Attachment A

| Firm | Investments | IT | Organizational | Audit |
|-----------------------|-------------|----|----------------|-------|
| Armanino Advisory LLC | | | ✓ | ✓ |
| Canaudit | | ✓ | | |
| Crowe LLP | | ✓ | ✓ | ✓ |
| Eide Bailly LLP | | ✓ | ✓ | ✓ |
| GoldSRD | | | | ✓ |
| Grant Thornton | ✓ | ✓ | ✓ | ✓ |
| HORNE | | | ✓ | ✓ |
| MGO | ✓ | ✓ | ✓ | ✓ |
| Simpson & Simpson | | ✓ | | |
| TAP International | | | ✓ | ✓ |



Internal Audit benefits from establishing a pool of prequalified firms with subject matter expertise in organizational operations, IT, and investments and internal audit consulting. Internal Audit will engage these firms on an as-needed basis in accordance with LACERA's Procurement Policy.

QUESTIONS

Thank You



June 5, 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

Audit Committee Consultant
Larry Jensen

FROM: Nathan K. Amick 
Senior Internal Auditor

FOR: June 26, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Los Angeles County Employees Retirement Association Pre-Audit
Communication**

BACKGROUND

To initiate communication with the ACRE Committee for Fiscal Year-Ended June 30, 2025, Financial Audit, Plante Moran will be at the June 26, 2025, ACRE meeting to present the timing, scope, and approach to the upcoming audit.

Attachment

NKA



plante moran | Audit. Tax. Consulting.
Wealth Management.

Los Angeles County Employees Retirement Association Pre-Audit Communication

Representing Plante Moran:
Kristin Hunt & Amanda Cronk



Agenda



- Pre-Audit Communication
 - Audits to Perform
 - Auditor Responsibilities
 - Identification of Significant Risks
 - Plante Moran's Approach to Internal Control
 - Materiality Concept
 - ACRE Committee Member Views
- Accounting standard changes for FY 2025
- Questions



Pre-Audit Communication



Pre-Audit Communication

Plante Moran will perform an audit and express an opinion on the following statements:

- LACERA's Annual Comprehensive Financial Report (ACFR) as of and for the year ended June 30, 2025 (target issuance date of October 15, 2025)
- Schedule of Employer Allocations and Schedule of Pension Amounts by Employer of the LACERA Cost-Sharing Multiple-Employer Defined Pension Plan (March/April 2026)
- Schedule of Changes in Fiduciary Net Position by Employer of the LACERA Agent Plan Multiple-Employer Other Post-Employment Benefits Trust (Spring 2026)



Pre-Audit Communication

Auditor Responsibilities

- Express an opinion about whether the financial statements prepared by management are fairly presented, in all material respects, in accordance with GAAP
- Communicate noncompliance with provisions of laws and regulations that have a material effect on the financial statements that come to our attention
- In accordance with Generally Accepted Government Auditing Standards (GAO Standards), we are required to communicate all noncompliance with provisions of laws, regulations, contracts, or grants that have a material effect on the financial statements that comes to our attention



Pre-Audit Communication

Identification of Significant Risks

- Appropriate valuation of investments, particularly the alternative investment that do not have readily establish market values
- Total pension liability and related inputs:
 - Accuracy of participant census data and the assumptions underlying the determination of the total pension liability under GASB 67
 - Accuracy of active participant data and payroll information submitted to LACERA by participating employers, particularly the County

Additional Significant Focus Areas

- Accuracy of benefit calculations and related payments, including disability claims



Pre-Audit Communication

Plante Moran's Approach to Internal Control

- Narratives/Questionnaires
- Observation and inspection of procedures
- Effectiveness of LACERA's Internal Controls for Financial Reporting, including investment valuation
- No opinion on effectiveness of internal controls

Materiality Concept

We place greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.



Accounting Standards Changes

GASB Statement No. 101, *Compensated Absences*

- What is the scope and potential impact?
 - Movement towards a conceptual framework of recording compensated absence liabilities, including focus on when time is earned by employees
 - LACERA will need to consider vested leave and estimated non-vested leave based on whether it is more likely than not that the time will be used
 - Management working on evaluation of the impact of this new standard
- When is this effective?
 - LACERA's Fiscal Year Ending June 30, 2025



Accounting Standards Changes

GASB Statement No. 102, *Certain Risk Disclosures*

- What is the scope and potential impact?
 - Requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations (defined as a lack of diversity related to an aspect of significant inflow of resources or outflow of resources) or constraints (defined as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority).
 - Management working on evaluation of the impact of this new standard
- When is this effective?
 - LACERA's Fiscal Year Ending June 30, 2025



Questions?

We greatly appreciate the opportunity to serve you!



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June 5, 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

Audit Committee Consultant
Larry Jensen

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

Allison E. Barrett *AEB*
Senior Staff Counsel

FOR: June 26, 2025, Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Ethics and Compliance Program Foundational Work Plan - Status Report**

BACKGROUND AND LEGAL AUTHORITY

LACERA's Ethics and Compliance Program is integral to the ACRE Committee's constitutionally mandated fiduciary duty to administer the retirement system with care, skill, prudence, and diligence to ensure the prompt delivery of benefits and related services to members and their beneficiaries.¹

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 procedures.² The Committee's oversight duty requires it to ensure adequate controls exist *and* that they are being implemented.³ For oversight to be effective, LACERA's compliance and control functions must have *direct access* to the Boards and the ACRE Committee for *regular reporting* about Program activities, ethics and compliance risks,

¹ Cal. Const. Art. XIV. Sec. 17.

² ACRE Committee Charter sec. VII.B.

³ *United States Sentencing Guidelines, Ch. 8*: 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."

and the controls in place to mitigate those risks.⁴ Accordingly, the Committee receives regular reports on Program activity,⁵ so it can continuously make reasonable inquiry into its effectiveness and ensure the Program is: 1) *well designed*; 2) *applied earnestly and in good faith (adequately resourced and empowered to function effectively)*; and 3) *works in practice*.⁶

In October 2024, the ACRE Committee approved the Program’s Foundational Work Plan. The Legal Office and the CEO continue to perform foundational Program work and report on its activities at each Committee meeting in preparation for the hiring of the CECO and to mitigate risk in the interim.⁷ The following chart summarizes the status of work plan activities, with additional detail discussed further below.

WORK PLAN STATUS

| PROGRAM ACTIVITY | UPDATES |
|-------------------------|---|
| Education Plan | <ul style="list-style-type: none"> • April 2025: A third member of the Ethics and Compliance Committee (ECC) attended the <i>Society of Corporate Compliance and Ethics</i> (SCCE) Academy in April 2025 and successfully completed the <i>Certified Compliance and Ethics Professional</i> (CCEP) exam. • May 2025: Ethics and Compliance consultant, Rebecca Walker, Esq. facilitated a 2-hour education session for ECC and Management Action Committee (MAC) members regarding the purpose of the ECC and its members’ individual roles and responsibilities to effectively support the Chief Ethics and Compliance Officer (CECO) and the implementation of the Ethics and Compliance Program. Ms. Walker led an engaged discussion and provided training materials, including an Ethics and Compliance Toolkit, to serve as a resource for ECC members in the performance of Program activities as well as their day-to-day frontline functions. • June 2025: ECC members (from Legal and Human Resources) attended a two-day SCCE “Compliance Risk Assessment and Management Workshop.” • July 2025: The ECC will implement an updated meeting format, with the objective of enhancing education at its monthly meetings. Educational materials will be provided for ECC members to share and discuss with each of their divisions. ECC members will then report back to the committee the following month with key takeaways from their divisional discussions. The goal is to support a two- |

⁴ The 2024 Department of Justice Evaluation of Corporate Compliance Programs (DOJ-ECCP), p. 12, sec. II.B.

⁵ ACRE Committee Charter, sec. VII.B.2b, 3b, 4, 5a, 6, 7a, 8, 9a-b, 11.

⁶ DOJ-ECCP, pp. 1-2.

⁷ ACRE Committee Charter sec. VII.B.13b.

| | |
|--|---|
| | <p>way flow of communication on ethics and compliance issues between first line operations and the second line Ethics and Compliance function, in addition to enhancing organization-wide understanding and a culture of ethics and compliance.</p> <ul style="list-style-type: none"> • August 2025: ECC members (from Legal and Human Resources) will attend the SCCE seminar: “Compliance, Ethics, and Organizational Culture.” |
| <p>Policy Management</p> | <ul style="list-style-type: none"> • August 2025: LACERA’s home grown policy management system—<i>Compass</i>—will be presented by its developers at the August ACRE Committee meeting. • Ongoing: <ul style="list-style-type: none"> ○ The Ethics and Compliance Policy Subcommittee continues to meet every two weeks as new or updated policies and procedures are submitted for review and forwarding to the full ECC for final approval and publishing. The ECC meets monthly. ○ Staff continue to search for and test policy management training providers for the ECC, MAC, and policy authors. |
| <p>Ethics and Compliance Risk Assessments</p> | <ul style="list-style-type: none"> • May 2025: <ul style="list-style-type: none"> ○ Members of the Legal Division joined Internal Audit to develop LACERA’s <i>Annual Audit Planning Risk Assessment & Compliance Questionnaire</i> issued to each division. The questionnaire includes ethics and compliance specific questions. ○ A separate questionnaire was issued to the ACRE committee to rank the top 10 operational risk priorities from highest to lowest concern. • June - July 2025: Legal and Internal Audit began follow-up interviews with division managers regarding their Risk Assessment & Compliance Questionnaire responses and plans to respond to risks identified. • November 2025: Results from the Risk Assessment & Compliance Questionnaires will be provided to the ACRE Committee. |
| <p>Ethics and Compliance Culture Survey</p> | <ul style="list-style-type: none"> • May 2025: ECC members from Legal, Internal Audit, HR, and the Executive team collaborated to develop a baseline culture survey organized around LACERA’s values. ECC members are reviewing the proposed survey with ethics and compliance consultants Rebecca Walker and Gartner, as well as with LACERA’s DEI Council, <i>IDEA—Inclusion, Diversity, Equity, and Accessibility</i>. • June - August 2025: Survey to be finalized and issued. • November 2025: Survey results with qualitative analysis to be reported to the ACRE Committee. |

| | |
|---|---|
| <p>Code of Ethical Conduct</p> | <ul style="list-style-type: none"> • December 2024 – Present: Members of the Legal Division continue drafting the Code and collaborating with Communications on Code design. • June - August 2025: The drafting team will meet with ethics and compliance consultants Rebecca Walker and Gartner for additional input, prior to review by the Executive Office, the ECC, and select (organization-wide) focus groups. The Code will then be returned to the ACRE Committee for review, input, and forwarding to the Boards. |
| <p>Chief and Deputy Ethics and Compliance Officer Class Specifications</p> | <ul style="list-style-type: none"> • May 2025: CECO and DECO Class Specifications and Salaries were approved by both Boards for forwarding to the LA County Board of Supervisors. Materials supporting the positions have been provided to the County CEO’s Office to be placed on an upcoming Board of Supervisors’ agenda. |
| <p>2025-2026 Ethics and Compliance Program Budget</p> | <ul style="list-style-type: none"> • May 2025: The Program budget was approved by the Boards for inclusion in LACERA’s annual administrative budget. |

Education Plan

An effective Ethics and Compliance Program has appropriately tailored communications and training programs that ensure the compliance program is well-integrated into the organization’s day-to-day operations.⁸ 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.⁹

Members of the ECC (a cross-section of division leaders which will serve as an advisory body to the CECO and support Program implementation) continue to undergo regular ethics and compliance education as required in the Ethics and Compliance Program Charter.¹⁰ In addition to a comprehensive two hour education session from LACERA’s ethics and compliance counsel on the purpose of the ECC and the roles and responsibilities of its individual members, various members of the ECC are undergoing focused training on particular Ethics and Compliance Program activities such as: 1) Policy Writing and Review; 2) Risk Assessments; and 3) Culture of Ethics and Compliance. The Risk Assessment and Culture courses are facilitated by the Society of Corporate Compliance and Ethics (SCCE) and provide continuing education units (CEU’s) for LACERA’s Certified Compliance and Ethics Professionals (CCEP). In April 2025, a third member of the ECC attended the SCCE “Basic Compliance & Ethics Academy,” sat for

⁸ DOJ-ECCP (2024), p. 2; 5-6.

⁹ ACRE Committee Charter, Sec. VII.B7a.

¹⁰ Ethics and Compliance Program Charter, sections V; VIII.B.

and passed the CCEP exam.¹¹ LACERA now has three CCEP on staff from various divisions--Legal, HR, and Administrative Services.

The ECC is implementing regular, focused training at its monthly meetings for ECC members to share with each of their particular divisions. ECC members will then report back to the committee the following month on key take-aways from their divisional discussions. The objective is to increase the flow of and support two-way communication on ethics and compliance issues between first line operations and the second line Ethics and Compliance function. This inclusive and collaborative process will also enhance an organization-wide understanding and culture of ethics and compliance, with the intention that ethics and compliance become as ingrained in our day-to-day operations as LACERA's mission and values.

Policy Management

An effective Ethics and Compliance Program has established standards of conduct (such as the Code of Conduct, policies and procedures) and internal controls reasonably capable of reducing the likelihood of misconduct.¹² Under the ACRE Charter, the Committee will review reports regarding Program policy governance; and review new or updated policies under Committee purview, such as LACERA's Code of Ethical Conduct and Conflict of Interest Code.¹³

The Ethics and Compliance Policy Subcommittee meets twice each month as policies and procedures are submitted for review by organization-wide subject matter experts from various divisions. The subcommittee's review process includes determining the effectiveness of the proposed or updated policies—whether the policies adequately control particular risks and are drafted in a clear and concise manner to be readily understood to effectively mitigate the risk intended. Following review, discussion (and additional research or drafting when necessary), completed policies and procedures are forwarded to the ECC for final approval and publishing on *Compass*—LACERA's policy library. *Compass* will be presented by its in-house developers at the August ACRE Committee meeting.

At the April 2025 ACRE Committee meeting, the Ethics and Compliance Program Foundational Work Plan status report included a list of policies and procedures completed between March 2024 and April 2025. Since April 2025, the subcommittee has reviewed and the ECC has approved the *Fiduciary Counsel policy*, which will be presented to the Operations Oversight Committee and forwarded to the Board of Retirement and Board of Investments for final review, approval, and publishing on *Compass*.

¹¹ James Beasley, Senior Administrative Assistant II (Administrative Services Division-Risk Management & Business Continuity).

¹² 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."

¹³ ACRE Committee Charter sec. VII.B.5a-b.

Baseline Ethics and Compliance Risk Assessment

An effective Ethics and Compliance Program: 1) periodically assesses risk and takes appropriate steps to design, implement, and modify controls; or 2) modifies the Program framework to mitigate identified risk, depending on the likelihood of occurrence and significance of impact.¹⁴ 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.¹⁵

This year, the Legal office collaborated with Internal Audit to develop and facilitate the *Annual Audit Planning Risk Assessment & Compliance Questionnaire*. The Questionnaire (issued to each Division in May) included approximately 12 baseline ethics and compliance specific questions (see *Attachment A*). In June, Legal and Internal Audit began follow-up interviews with division managers regarding risks particular to their division and the controls in place (or required) to mitigate them. Interviews will be ongoing through the end of July. This joint effort (known as aligned assurance) will serve to bridge control gaps, combine resources, and limit management assessment fatigue. Findings and analysis from this year's aligned risk assessment will be presented by Internal Audit and Legal during the November ACRE Committee meeting. At that time, the ACRE Committee's responses to their 2025 Risk Assessment Questionnaire (ranking LACERA's top operational risk priorities) will also be reviewed. (see *Attachment B*).

Baseline Ethics and Compliance Culture Survey

An effective Ethics and Compliance Program promotes an organizational culture that fosters ethical judgment and conduct as well as a commitment to compliance with the law.¹⁶ Under the ACRE Charter, the Committee will review reports of periodic surveys of LACERA's culture of ethics and compliance.¹⁷

Members of the Executive Office, Legal, Internal Audit, and HR have developed a survey to obtain a baseline measurement of LACERA's current culture to be issued organization-wide this summer. Surveys will be conducted periodically thereafter in an ongoing deliberate approach to measure growth as change is implemented. The initial survey (which will be anonymous to prompt candor) is structured around LACERA's values, which represent how we expect all LACERA employees to act--*Integrity, Inclusivity, Innovation, Accountability, Collaboration, and Transparency (I.ACT)*. The survey includes Ethics and Compliance specific issues such as speak up culture, organizational justice, tone-at-the-top, and internal pressures. Prior to issuance, the proposed survey is being vetted through ethics and compliance consultants Rebecca Walker and Gartner, as well as LACERA's DEI Council, IDEA. Once the survey data is collected and evaluated,

¹⁴ 18 USCS Appx. sec. 8B2.1(c).

¹⁵ ACRE Committee Charter sec. VII.B.3a-b.

¹⁶ 18 USCS Appx. sec. 8B2.1(a)(2).

¹⁷ ACRE Committee Charter sec. VII.B.11.

findings and recommendations will be presented to the ACRE Committee.

Code of Ethical Conduct

As stated above, an effective Ethics and Compliance Program establishes standards to prevent and detect misconduct. Those standards begin with the Code of Ethical Conduct. LACERA's Code states our mission, vision, values, principles and business standards; serves as a decision-making guide; and expresses LACERA's commitment to ethical judgment and compliance with applicable laws, regulations, policies and procedures. The Code represents "who we are" as an organization. The ACRE Charter provides for Committee review of updates to the Code of Ethical Conduct. Since last winter, the Code has been undergoing a comprehensive rewriting and redesign to ensure it is clear, concise, easily understood, and accessible for every division and function of the organization.

The update includes organizing the Code around LACERA's values—*Integrity, Inclusivity, Innovation, Accountability, Collaboration, and Transparency* (I.ACT). A second working draft has been completed; and the drafting team is collaborating with Communications on the 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).

The revamped draft of the Code is scheduled for review with ethics and compliance consultants Rebecca Walker and Gartner, followed by the Executive Office, the ECC, and various organization-wide focus groups. This comprehensive review is geared toward obtaining buy-in as well as creating a document that fully represents LACERA and guides each LACERA employee to perform their day-to-day operations with the highest ethical standards and in compliance with the law, regulations, policies and procedures. Once the Code content is set, Communications will complete the design work. The Code will then be presented to the ACRE Committee at its next regularly scheduled meeting, for review, input, and forwarding to the joint Boards for final approval and publishing on *Compass*. Once posted, trustees and all LACERA employees will undergo comprehensive Code training.

Ethics and Compliance Personnel Class Specifications

An effective Ethics and Compliance Program requires designated individuals responsible for the day-to-day operation of the Program.¹⁸ The Ethics and Compliance Program Charter provides for an independent Chief Ethics and Compliance Officer to oversee the Program and regularly report on its activities directly to the ACRE Committee and Boards.¹⁹ Under the ACRE Charter, the Committee provides input on and approval of the CEO's appointment, termination, and discipline by the CEO; and approves and makes

¹⁸ 18 USCS Appx. sec. 8B2.1(b)(2)(C).

¹⁹ Ethics and Compliance Program Charter sec. III.

recommendations to the Boards for additional staffing for the Ethics and Compliance Office upon the request of the CECO and CEO.²⁰

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 were presented to the JOGC in April and approved by the Board of Retirement and Board of Investments in May. The Class Specifications will now be forwarded to the Board of Supervisors for review and inclusion in the County Ordinance. Materials supporting the positions have been provided to the County CEO's Office to be placed on an upcoming Board of Supervisors' agenda. Once approved, HR will begin implementation of the CECO hiring plan in collaboration with the Executive Office, ACRE Committee, and Boards. Additional Ethics and Compliance Office positions will be filled at the direction of the CECO in consultation with the CEO, ACRE Committee, and Boards.

CONCLUSION

LACERA's Ethics and Compliance Program foundational work remains ongoing in preparation for 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, mitigate, detect, and respond to ethics and compliance risk and to promote a culture where every LACERA employee is supported in their efforts "to do the right thing" in the performance of their day-to-day responsibilities. The Program is integral to LACERA's values, mission, and the Boards' fiduciary duty. The ACRE Committee serves an essential role, providing active oversight of the Program, remaining well-informed of and making reasonable inquiry into its activities. The Legal Division will continue to provide the Committee with Foundational Work Plan Status Reports at its regularly scheduled meetings.

Attachments

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

²⁰ 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.

Annual Audit Planning Risk Assessment & Compliance Questionnaire

* Required

* This form will record your name, please fill your name.



1. Division: *

2. Survey Completed By: *

3. Date Completed: *



4. **OPERATIONAL OBJECTIVES**

Have there been any changes in the last year to your division's key objectives/goals and/or KPI's?

*

Yes

No

5. **OPERATIONAL OBJECTIVES**

If yes to question 4, please provide specific details of the changes.

6. OPERATIONAL OBJECTIVES

Are there any areas of incomplete or outdated policies and procedures, known internal control weaknesses or other related concerns you may have? *

Yes

No

7. If yes to question 6, please provide specific details and plans to address the concerns.

8. OPERATIONAL OBJECTIVES

Have there been any changes to laws, business processes, divisional staffing or any other factors, internal or external to the division that have impacted your ability to meet your business objectives? *

Yes

No

9. OPERATIONAL OBJECTIVES

If yes to question 8, please provide specific details of the changes.

10. OPERATIONAL OBJECTIVES

Are there any strategic, operational or business continuity challenges facing your division? *

Yes

No

11. OPERATIONAL OBJECTIVES

If yes to question 10, please provide specific details of the changes.

12. PRIVACY & DATA MANAGEMENT

Do you have written divisional privacy policies or procedures? *

Yes

No

13. PRIVACY & DATA MANAGEMENT

If yes to question 12, please describe your process to track compliance with those privacy policies and procedures. Additionally, please send those policies and procedures to Perla Gonzalez.

14. PRIVACY & DATA MANAGEMENT

Do any vendors/third party contractors you work with have access to confidential LACERA data?

*

Yes

No

15. PRIVACY & DATA MANAGEMENT

If yes to question 14, please list those vendors and describe your process to ensure the protection of confidential information and compliance with LACERA's privacy policy.

16. COMPLIANCE

Are there adequate controls in your division to ensure compliance with legal or regulatory requirements, policies and procedures that are specific to your division? *

Yes

No

17. If yes to question 16, please describe those controls and your process for tracking compliance with them.

18. **COMPLIANCE**

Do you have a process for ensuring vendor compliance with contract requirements? *

Yes

No

19. If yes to question 18, please describe that process and how you track compliance with it.

20. **COMPLIANCE**

Are there any other areas of compliance specific to your Division that concern you? *

Yes

No

21. If yes to question 20, describe in detail any compliance concerns.

22. **COMPLIANCE**

Have any privacy issues, policy violations, serious misconduct, or other significant incidents occurred in your division in the past year? *

Yes

No

23. **COMPLIANCE**

If yes to question 22, please list and describe the incidents, how you responded, and to whom they were reported.

24. **CULTURE**

In your division, are there processes to encourage behavior consistent with LACERA's I ACT Values of *Integrity, Inclusivity, Innovation, Accountability, Collaboration, and Transparency*? *

Yes

No

25. If yes to question 24, please describe those processes.

26. **CULTURE**

Describe the Culture in your division.

27. **ETHICS**

How is ethical judgment applied by your team in the performance of the work in your division?

28. **ETHICS**

How is LACERA's Code of Ethical Conduct utilized by you and members of your division?

29. **COMPLIANCE**

What training have you provided your team to educate them on the risks (and related controls) particular to your division?

30. **OTHER**

What concerns you most about your Division/what keeps you up at night? What are the top 5 risks facing your division?

31. **ETHICS & COMPLIANCE**

What is your process to educate your team on their obligation to report misconduct, including the methods/channels through which to report any ethics and compliance issues?

32. **COMPLIANCE**

How would you rate, staff's understanding of internal controls and risks from 1 (low) to 5 (high) *

| | | | | |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

33. Please provide information to further explain the level of understanding of controls and risks in your Division. Include any concerns you have with LACERA's control environment, risk management or risk assessment practices that may contribute to your team's level of understanding.

34. **OTHER**

Provide suggestions on potential audit areas, audit risks, ethics and compliance risks in LACERA that you believe Internal Audit or Ethics and Compliance should consider.

This content is neither created nor endorsed by Microsoft. The data you submit will be sent to the form owner.

Risk Assessment Survey 2025

Please prioritize the risk areas listed below to help us understand the most critical aspects of our organization. Use the arrows on the right to move each area up or down the list.

1. Prioritize the Following Risk Areas

| |
|---|
| Pension Benefits |
| Disability Benefits |
| Investments |
| Culture and Values |
| Ethics |
| Organizational Governance |
| Financial Processes |
| Systems |
| Information Security |
| Compliance with Laws, Regulations, Policies, and Procedures |

2. Please provide any specific concerns you have or audits you would like us to consider including in any of the risk areas listed above.

3. Are there any additional areas of risk or focus that you have concerns about, which are not listed above? If so, please provide them.

This content is neither created nor endorsed by Microsoft. The data you submit will be sent to the form owner.

**FOR INFORMATION ONLY**

June 5, 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: June 26, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Fiscal Year 2024-2025 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 Fiscal Year 2024-2025 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 May 30, 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 projects.

Of the 15 remaining projects, 11 (32%) are currently in progress, and four (12%) have yet to be started. Out of the four items, three have been included in the Audit Plan for Fiscal Year 2025-2026. The fourth item, the death claim process engagement, has been excluded from our audit work. This decision was made in consultation with Executive Management, as the process is slated for inclusion in the upcoming case management project.

Staff will provide the Committee with a final report on the Fiscal Year 2024-2025 Audit Plan at the August 2025 meeting.

Staff has prepared the following attachment for your attention:

A. FYE 2025 Audit Plan as of May 30, 2025

| Audit Plan 2024-2025 Status as of May 30, 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 Technical Audit of Granicus' OneMeeting | Assurance | Completed Q2 | N/A |
| 4 | Organizational | Continuous 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 | In Progress | |
| 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 | In Progress | |
| 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 |

FOR INFORMATION ONLY

May 30, 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

Gabriel Tafoya 
Senior Internal Auditor

FOR: June 26, 2025, Audit Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Recommendation Follow-Up Report**

Background

The ACRE Charter (Charter), section VII.A.1.i, 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

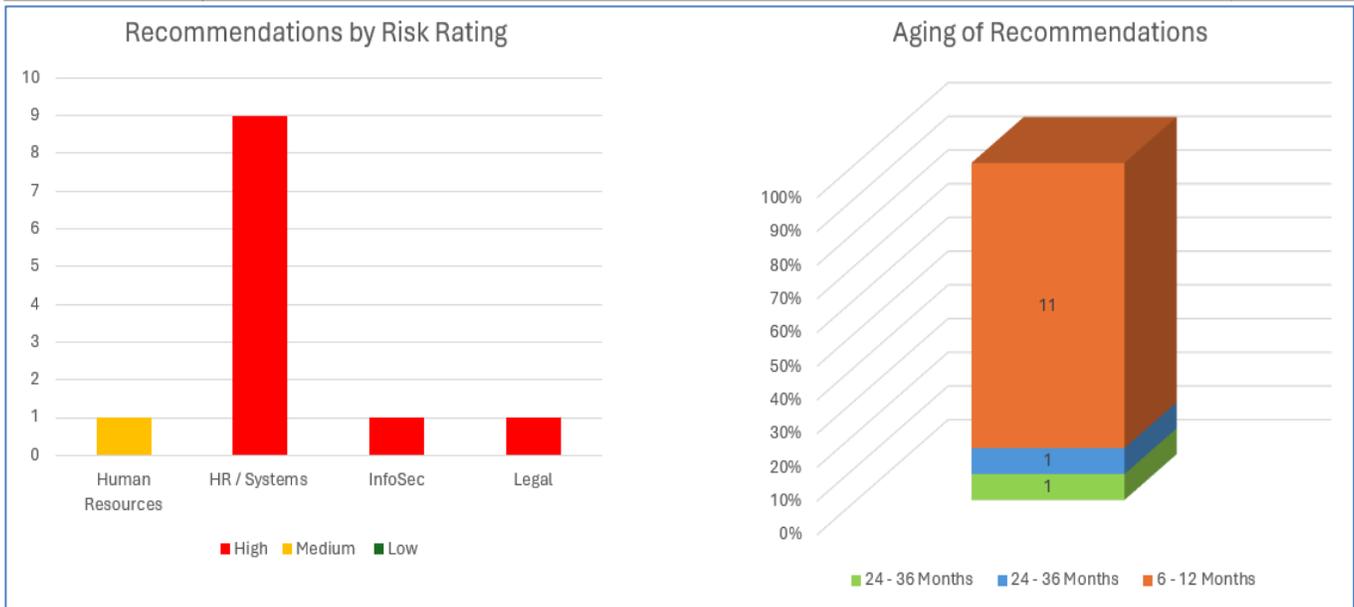
During the audit process, Internal Audit records findings and provides recommendations to mitigate risks and improve processes. Final audit reports include audit findings, recommendations, management's responses, and targeted completion dates. Internal Audit tracks both audit recommendations and long-term strategic recommendations. Audit recommendations are focused on improving internal controls while strategic recommendations are centered on organizational risks that may impact LACERA in the future. Each month, Internal Audit monitors management's progress towards implementing outstanding recommendations and confirms completion.

Recommendation Monitoring and Reporting

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. As of the last reporting period, there are no changes in the status of strategic recommendations, however, six audit recommendations have been implemented (closed). There are 13 outstanding audit recommendations; three of which are pending auditor verification to close them. The following dashboard summarizes the status of closed and pending audit recommendations. Refer to Attachment A for details.

| Recommendations In Progress as of 4/1/25 | Newly added Recommendations | Closed Recommendations Auditor Verified | Recommendations In Progress as of 6/1/25 |
|--|-----------------------------|---|--|
| 19 | 0 | -6 | 13* |

| Audit Report | Implemented Recommendations | Risk |
|-------------------------------------|---|------|
| Corporate Credit Cards | Financial and Accounting Services Division (FASD) Management should provide training on the new policy and requirements to all cardholders and division secretaries. | Med |
| Corporate Credit Cards | 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. | High |
| Corporate Credit Cards | 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. | High |
| Corporate Credit Cards | 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. | High |
| Termination of User Access Process | Human Resources (HR) management should revise the Off-Boarding Forms and instructions to ensure that all separation activities, as noted in our report, are included. | High |
| InfoSec – Third-Party Data Security | 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. | High |



*3 Pending Internal Audit Verification

Recommendation Follow-Up Report

May 30, 2025

Page 3 of 3

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

Attachments

A.1 Recommendation Status Report – Organizational

A.2 Recommendation Status Report - Strategic

LEC:gt

RECOMMENDATION STATUS REPORT - ORGANIZATIONAL

| Reco Ref | Finding | Risk | Recommendation | Status | Summary of Progress | Initial Target Date | New Target Date | Extensions | | | | | Days Outstanding Since Audit Report Date |
|---|---|------|---|-------------|--|---------------------|-----------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 | |
| FASD - AUDIT OF CORPORATE CREDIT CARDS - REPORT DATE 08/16/2023 | | | | | | | | | | | | | |
| F1 | 1. 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. | Closed | FASD Created a training video on the new policy and provided training to Cardholders and proxies. Also created a LEARN course for on demand viewing. | 6/30/2024 | 5/30/2025 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 654 |
| F2 | 2. 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. | Closed | FASD Created a training video on the new policy and provided training to Cardholders and proxies. Also created a LEARN course for on demand viewing. | 8/31/2023 | 5/30/2025 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 654 |
| F3 | 3. 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 timely notification to FASD of changes in employment status of a cardholder. | Closed | FASD Updated the Policy to include Section V.G.5 for Card Management for Staff Changes and Section III for HR's responsibilities for cancellation and destruction of cards. | 9/30/2023 | 4/30/2025 | <input checked="" type="checkbox"/> | 654 |
| F3 | 3. 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. | Closed | Section III indicate the Corporate Card Administrator's (from FASD) responsibilities in the cancellation and destruction of Corporate Cards. | 3/31/2024 | 4/30/2025 | <input checked="" type="checkbox"/> | 654 |
| HR -CAP BONUS REVIEW FYE 2024 - REPORT DATE 9/4/2024 | | | | | | | | | | | | | |
| F1 | Adopt Revised Policies. | 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 | Revised procedures have been drafted and are under review. | 3/31/2025 | 6/30/2025 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 269 |
| 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. | Delayed | HR management has developed the scope of work but currently delayed due to changes in the procurement procedures within the Vendor Management unit. Once Vendor Management has resolved the changes, the work may begin. | 6/30/2023 | 6/30/2025 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1139 |

| Reco Ref | Finding | Risk | Recommendation | Status | Summary of Progress | Initial Target Date | New Target Date | Extensions | | | | | Days Outstanding Since Audit Report Date |
|---|--|------|--|------------------------------|---|---------------------|-----------------|-------------------------------------|-------------------------------------|--------------------------|--------------------------|--------------------------|--|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 | |
| 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. | Closed | HR revised the Off-Boarding Forms and Instructions. | 12/31/2024 | 6/30/2025 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 274 |
| 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. | In Progress | HR and Exec Board Assist. have updated Off-Boarding Forms and Procedures. Systems is currently developing an automated system for Offboarding with an ETA of 12/31/25. | 12/31/2024 | 12/31/2025 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 274 |
| 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 | HR revised the Off-Boarding Forms and Instructions. Audit Testwork on the use of the new Off-Boarding Forms is estimated for completion by 6/30/25. | 12/31/2024 | 6/30/2025 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 274 |
| 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 | HR revised the Off-Boarding Forms and Instructions and provided training to MAC; Audit Testwork on the use of the new Off-Boarding Forms is estimated for completion by 6/30/25. | 12/31/2024 | 6/30/2025 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 274 |
| 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 | HR and Exec Board Assistance have updated Off-Boarding Forms and Procedures. Audit Testwork on the use of the new Off-Boarding Forms is estimated for completion by 6/30/25. | 12/31/2024 | 6/30/2025 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 274 |
| 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 | Partial Implementation: HR and Board Offices provided On-Boarding and Off-Boarding checklist and procedures. Systems is currently in Phase II to automate the Off-Boarding process which has an ETA of 12/31/2025. | 12/31/2024 | 12/31/2025 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 274 |
| 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 | Systems is currently in Phase II to automate the Off-Boarding process which include setting a timeline and criteria for ensuring prompt removal of access after termination. | 12/31/2024 | 12/31/2025 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 274 |
| 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 | Systems management is currently gathering a detailed list of all non-SSO applications within the LACERA infrastructure to further our initiative of implementing SSO where practicable. Additionally, Systems management will develop appropriate procedures for regular reviews of the non-SSO application list. | 12/31/2024 | 12/31/2025 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 274 |

| Reco Ref | Finding | Risk | Recommendation | Status | Summary of Progress | Initial Target Date | New Target Date | Extensions | | | | | Days Outstanding Since Audit Report Date |
|--|--|------|---|-------------|---|---------------------|-----------------|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------|--------------------------|--|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 | |
| HR/Systems/Brd Asst - Termination of User Access Process - REPORT DATE 08/30/2024 | | | | | | | | | | | | | |
| 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 | Systems management is currently gathering a detailed list of all non-SSO applications within the LACERA infrastructure to further our initiative of implementing SSO where practicable. Additionally, Systems management will develop appropriate procedures for regular reviews of the non-SSO application list. | 12/31/2024 | 12/31/2025 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 274 |
| 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 include procedures for notifying and ensuring that managers who oversee non-SSO applications remove terminated staff from those applications. | In Progress | Systems management is currently gathering a detailed list of all non-SSO applications within the LACERA infrastructure to further our initiative of implementing SSO where practicable. Additionally, Systems management will develop appropriate procedures for regular reviews of the non-SSO application list. | 12/31/2024 | 12/31/2025 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 274 |
| InfoSec - Board Vantage Security Settings - REPORT DATE 10/21/2022 | | | | | | | | | | | | | |
| F1 | Adopt Revised Policies. | 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 applications. | In Progress | The Information Security Office is finalizing its policy on audit trails as part of its WISP (written information security program). Subsequent to the policy being finalized, the Project Management Office will assess internal and external applications' audit logs for compliance with the policy. | 6/30/2023 | 8/31/2025 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 953 |
| 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. | Closed | Enterprise Contract Lifecycle Management (ECLM) is currently sending notices to contract owners and administrators. Personnel have been added to focus on contract processing and address issues as they arise. User training completed for selected divisions. InfoSec developed comprehensive procedures and guidelines for assessing the security third-party vendors. | 7/31/2023 | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 750 |

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 - Retiree Healthcare (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. 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 (QA) Operations Review | 4/9/2021 | Finding #1 - The QA Division's independence is weakened when reporting to the same Assistant Executive Officer (AEO) over the operational areas in which they perform quality assurance audits. | LACERA Executive Management should work with QA and the Member Operations Group (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. | In July 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's 4th Objective, "Enterprise Risk Management and Compliance." |

RECOMMENDATION STATUS REPORT - STRATEGIC

| Project Name | Report Date | Finding Title | Recommendation | Status Update |
|---|-------------|--|---|--|
| 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. Management 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 2025-2026. |
| 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 |
|---|-------------|--|--|---|
| COSO: Training and Development & Talent Management | | | | |
| 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. |

**FOR INFORMATION ONLY**

May 30, 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: June 26, 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.1.i, 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.

No recommendations have been closed as of our last report in April 2025.

Table 1: Current Recommendation Status as of 6/1/25:

| Audit Report | Auditor | Rating | 5/30/2025 Recos | New Reco | Closed | Total |
|---|-------------|--------|-----------------|----------|----------|----------|
| Pen and Social Engineering - April 2022 | Moss Adams | Med | 1 | | | 1 |
| Pen Test and VeraCode Report – Mar 2020 | Clear Skies | Med | 2 | | | 2 |
| Pen Test and VeraCode Report – Mar 2020 | Clear Skies | Low | 1 | | | 1 |
| SOC FYE 2024 – June 2024 | Moss Adams | High | 1 | | | 1 |
| TOTAL | | | 5 | 0 | 0 | 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 | 5/30/25 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 June 2025, ACRE Committee meeting, but please remember that due to the sensitive nature of these IT recommendations we cannot provide additional details.



FOR INFORMATION ONLY

June 6, 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: June 26, 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 and a strict policy of non-retaliation to protect when reporting questionable behavior.

The ACRE Charter, section VII.B.9.b, states that the 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, two cases have been closed, and one case is under investigation 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 | Unsubstantiated | June 2025 | N/A |
| 22 | March 2025 | Non-compliance, or Violation of Law, Regulation, Policy | HR | Unsubstantiated | May 2025 | N/A |
| 23 | April 2025 | Acts of Omissions in Conflict with LACERA's Values | IA | Investigation in Progress | | |

Ethics Hotline Status Report

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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.



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

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