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.gov.

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, AUGUST 21, 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.gov/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 June 26, 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.gov/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.gov.)

VI. NON-CONSENT ITEMS

A.   **Recommendation for Appointment of Proposed Financial Auditor** Recommendation as submitted by Kristina Sun, Senior Internal Auditor: That the ACRE Committee approve the appointment and compensation of CLA (CliftonLarsonAllen LLP) as LACERA's independent financial auditor for fiscal years ending (FYE) June 30, 2026 – 2030 with an option to extend for two additional one-year terms. (Presentation) (Memo dated August 1, 2025)

VII.   REPORTS

A.   **Internal Audit Annual Performance Report – Fiscal Year Ended 2025**
Nathan K. Amick, Senior Internal Auditor
(Presentation) (Memo dated August 4, 2025)

B.   **Ethics and Compliance Program Foundational Work Plan – Status Report**
Steven P. Rice, Chief Counsel
Allison E. Barrett, Senior Staff Counsel
(Presentation) (Memo dated August 4, 2025)

C.   **Ethics Hotline Status Report**
Leisha E. Collins, Principal Internal Auditor
(Presentation) (Memo dated August 1, 2025)

D.   **Recommendation Follow-Up Report**
Leisha E. Collins, Principal Internal Auditor
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated July 31, 2025)

E.   **Recommendation Follow-Up for Sensitive Information Technology Areas**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated July 31, 2025)

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

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

VIII. CONSULTANT COMMENTS
Larry Jensen, ACRE Committee Consultant
(Verbal Presentation)

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

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

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

XII.   EXECUTIVE SESSION

A. Public Employment
(Pursuant to California Government Code Section 54957)

Title: Chief Audit Executive
(Memo dated July 30, 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.gov at the same time,* <u>Board Meetings | LACERA</u>*.*

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 <u>PublicComment@lacera.gov</u>*, 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, JUNE 26, 2025

This meeting was 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).

COMMITTEE TRUSTEES:

PRESENT: Debbie Martin (BOI), Chair

                Nicole Mi (BOI), Vice Chair

                Alma K. Martinez (BOI), Secretary (Joined the meeting at 10:30 a.m.)

                Nancy Durazo (BOR), Trustee

                Jason Green (BOR), Trustee (Teleconference Due to Just Cause under Section 54953(f))

                Elizabeth Ginsberg, Ex-Officio

ABSENT: Wayne Moore (BOR), Trustee

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

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

Delfino Aguilar, Senior Internal Auditor

Nathan K. Amick, Senior Internal Auditor

George Lunde, Senior Internal Auditor

Kristina Sun, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

Christian Velasco, Senior Internal Auditor

Alex Ochoa, Benefits Retirement Specialist III

Larry Jensen, ACRE Committee Consultant

Plante & Moran, LLP
    Kristin Hunt, Engagement Partner
    Amanda Cronk, Principal

Nossaman, LLC
    Ashley Dunning, Partner

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

Chair Martin 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

A physical quorum was present at the noticed meeting location. There was one request received from Trustee Green to attend by teleconference for Just Cause (B) Due to Child Care. Trustee Green 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 April 24, 2025

Trustee Mi made a motion, Trustee Durazo seconded, to approve the Minutes of the Regular meeting of April 24, 2025. The motion passed by the following roll call vote:

Yes: Durazo, Ginsberg, Green, Martin, Mi

Absent: Martinez, Moore

V. PUBLIC COMMENT

There were no requests from the public to speak.

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)

Mr. Bendall provided a presentation. Messrs. Bendall and Jensen were present to answer questions from the Committee.

VI.   NON-CONSENT ITEMS (Continued)

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

Yes: Durazo, Ginsberg, Green, Martin, Mi

Absent: Martinez, Moore

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 approves 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)

Ms. Collins provided a brief presentation. Ms. Collins and Messrs. Bendall and Jensen were present to answer questions from the Committee.

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

Yes: Durazo, Ginsberg, Green, Martin, Mi

Absent: Martinez, Moore

VII.   REPORTS

A.   **Los Angeles County Employee Retirement Association Pre-Audit Communication**
Nathan Amick, Senior Internal Auditor
(Presentation) (Memo dated June 5, 2025)

Mses. Hunt, Cronk of Plante Moran provided a brief presentation. Mr. Jensen was present and answered questions from the Committee.

This item was received and filed.

VII.   REPORTS (Continued)

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)

Ms. Barrett was present and answered questions from the Committee.

This item was received and filed.

C.   **Fiscal Year 2024 - 2025 Audit Plan Status Report**
Nathan K. Amick, Senior Internal Auditor
(For Information Only) (Memo dated June 5, 2025)

This item was received and filed.

D.   **Recommendation Follow-Up Report**
Leisha E. Collins, Principal Internal Auditor
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated May 30, 2025)

This item was received and filed.

E.   **Recommendation Follow-Up for Sensitive Information Technology Areas**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated May 30, 2025)

This item was received and filed.

F.   **Ethics Hotline Status Report**
Leisha Collins, Principal Internal Auditor
(For Information Only) (Memo dated June 6, 2025)

Mses. Collins, Guglielmo and Messrs. Bendall, Lugo, Amick and Jensen were present and answered questions from the Committee.

This item was received and filed.

VII.   REPORTS (Continued)

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

         Mr. Bendall introduced Alex Ochoa, Internal Audit's new hire.

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

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

VIII.   CONSULTANT COMMENTS
     Larry Jensen, ACRE Committee Consultant
     (Verbal Presentation)

     There was nothing to report.

IX.   ITEMS FOR STAFF REVIEW

     Chair Martin requested staff to present the BOR Strategic Plan at a future ACRE Committee meeting.

X.   ITEMS FOR FUTURE AGENDAS

     Chair Martin requested staff to provide the Risk Assessment Survey to the ACRE Committee. In addition, Trustee Mi requested staff present the Ethics Hotline process at a future ACRE Meeting.

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

     There was nothing to report.

XII.   EXECUTIVE SESSION (Ms. Martinez joined the meeting at 10:30 a.m.)

    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)

    There was nothing to report.

XIII.   ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:10 a.m.

August 1, 2025

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

              ACRE Committee Consultant
              Larry Jensen

FROM: Kristina Sun   KS
            Senior Internal Auditor

FOR: August 21, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Recommendation for Appointment of Proposed Financial Auditor**

RECOMMENDATION
Recommends the ACRE Committee approve the appointment and compensation of CLA (CliftonLarsonAllen LLP) as LACERA's independent financial auditor for fiscal years ending (FYE) June 30, 2026 – 2030 with an option to extend for two additional one-year terms.

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

At the April 2025 ACRE meeting, the Committee authorized staff to issue a Request for Proposal (RFP) for a Financial Auditor for FYE June 30, 2026 – 2030 with an option to extend for two additional one-year terms. On April 30, 2025, staff issued the RFP for financial auditor search and actively began to solicit bids from accounting firms with government practice.

RFP EVALUATION PROCESS RESULTS
In June 2025, we received six bids which were verified by Internal Audit to have met the required minimum requirements:

1. Baker Tilly, LLP (Baker Tilly)
2. BDO, LLP (BDO)
3. CLA (CliftonLarsonAllen LLP)
4. Eide Bailly, LLP (Eide Bailly)
5. Grant Thornton, LLP (Grant Thornton)
6. Plante & Moran, PLLC (Plante Moran)

---

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

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

Summary of Evaluation Process

The RFP evaluation team conducted a thorough review of the submitted proposals. The team followed a three-step evaluation process:

Phase I: Assess RFP proposals

- Individual members of the RFP evaluation team scored the proposals based on the pre-determined evaluation criteria. The scores were compiled and deliberated upon by the entire RFP evaluation team, during which the strengths and concerns of each firm's proposal were thoroughly examined.

At the end of Phase I, the RFP evaluation team discussed and agreed to advance four firms to the next phase of the evaluation process: Plante Moran, our incumbent auditor, and competing firms CLA, Eide Bailly, and Grant Thornton. BDO and Baker Tilly were not selected to advance to Phase II due to not meeting LACERA's evaluation criteria.

Phase II: Interview of top firms & Fee analysis

- The RFP evaluation team interviewed the top firms to gain insight into their proposed audit approach, team composition, and experience with public pension funds. We also conducted a fee analysis and evaluated the client reference checks.

At the end of Phase II, the RFP evaluation team discussed and identified two finalists: CLA and Plante Moran. The other two firms were not advanced due to fit concerns. Eide Bailly proposed a less experienced audit team than both CLA and Plante Moran. Grant Thornton proposed audit hours exceeding the anticipated level of engagement and were roughly 60% higher than the average hours proposed by other firms.

Phase III: Evaluation of finalists & Identify firm(s) for ACRE Committee approval
- The RFP evaluation team convened to assess how each finalist aligned with LACERA's audit needs and expectations, taking into consideration both key strengths and potential concerns from their presentations and proposals.

At the end of Phase III, the RFP evaluation team selected CLA over Plante Moran, recognizing that CLA's comprehensive audit approach with the integration of an IT audit framework, and the strength and depth of the proposed engagement team. While Plante Moran has provided longstanding service to LACERA, its proposal reflected a continuation of existing audit methodologies. The proposed team also offered comparatively less demonstrated experience in key areas that are becoming more critical to LACERA's evolving audit needs.

Rationale for Sole Firm Recommendation

Based on demonstrated expertise, value, and alignment with LACERA's needs, the evaluation team unanimously supports the selection of CLA as the best firm as our new financial auditor. While previous selection cycles have involved presenting multiple finalist firms, the evaluation team found that CLA clearly and consistently stood out as the best fit for LACERA's current needs.

CLA met or exceeded expectations across all evaluation areas and presented an exceptional overall proposal. Key strengths include:

➢ Public Pension Expertise: CLA has extensive experience auditing large, complex public pension systems similar to LACERA and maintains a dedicated practice focused specifically on public pension clients.

➢ Focus on Complex Areas: CLA demonstrated advanced capability in auditing complex investment structures, including Level 3 and alternative investments, as well as employer census data and actuarial information.

➢ Strong Client Service Orientation: CLA outlined clear communication protocols and a collaborative approach to working with management and the ACRE Committee.

➢ Integrated Audit Approach: CLA's methodology includes a robust, risk-based approach with a clear emphasis on information technology (IT) controls testing, aligning with LACERA's systems environment and audit risks.

➢ Engagement Team Quality: CLA's proposed engagement team offers strong credentials, with continuity and expertise at both the partner and manager levels.

➢ Reasonable Fee Structure: CLA's proposed fees and engagement hours are within LACERA's expectations and consistent with the scope and complexity of the engagement.

Additionally, CLA proposed the total five-year audit fees for the Pension Trust, OPEB Trust, and OPEB Custodial Fund. Below chart breaks down the audit fees by each fiscal year. The aggregate audit fees for five years are $1,416,892.

Proposed Fees by Fiscal Year	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Pension Trust	$ 220,395	$ 174,786	$ 180,903	$ 187,235	$ 193,788	$ 957,107
OPEB Trust	$ 81,340	$ 64,625	$ 66,887	$ 69,228	$ 71,651	$ 353,731
OPEB Custodial Fund	$ 23,741	$ 19,529	$ 20,212	$ 20,920	$ 21,652	$ 106,054

CONCLUSION

Following a comprehensive search and competitive evaluation process for LACERA's financial auditor, we respectfully submit one firm, CLA, for the Committee's consideration and approval. CLA will be presenting their proposal and answering any questions at the ACRE Committee meeting.

We respectfully request the Committee to approve the appointment and compensation for CLA as LACERA's financial auditor. If the Committee approves, staff will proceed to negotiate a contract with CLA.

Included in this memo are the following attachments for discussion with the Committee:

• Attachment A – Internal Audit's presentation on the RFP process and bid scoring process, and recommendation for appointment of proposed financial auditor.

• Attachment B – CLA (CliftonLarsonAllen LLP) presentation, to be presented in-person to the Committee.

KS

Recommendation and Overview

Recommendation

To approve the appointment and compensation of CLA (CliftonLarsonAllen LLP) as LACERA's independent Financial Auditor for fiscal years ending (FYE) June 30, 2026 – 2030 with an option to extend for two additional one-year terms.

Overview

- This search aligns with LACERA's strategic plan for fiscal durability by exercising care in managing resources to ensure the long-term soundness of LACERA's retirement pension (Pension Trust) and Los Angeles County's Other Post-Employment Benefits (OPEB) Program (OPEB Trust and OPEB Custodial Fund).

- The proposed search is for a five-year (5) contract, with the option to extend for two (2) additional one-year terms in accordance with LACERA's Policy for Purchasing Goods and Services.

- CLA is a non-incumbent audit firm selected following a comprehensive evaluation conducted under the financial auditing request for proposal (RFP) process.

- CLA is a nationally recognized public accounting and advisory firm providing services to more than 3,700 government organizations and 4,500+ clients engaging employee benefit plan capabilities.

  ➢ CLA is consistently ranked among the Top 10 U.S. accounting firms, employing nearly 9,000 employees across more than 130 U.S. locations.

  ➢ CLA provides services to government retirement systems with a combination of assets totaling more than $2 trillion and 13 million members.

  ➢ CLA has a 10-member audit team assigned to LACERA.

Background

- The ACRE Committee (Committee) Charter assigns the Committee the responsibility to approve the appointment and compensation of an independent external Financial Auditor, which is hired to perform an independent audit of LACERA's financial statements.

- LACERA's agreement with Plante Moran, the incumbent financial auditor, concludes with the completion of the financial statement audit for fiscal year ending (FYE) June 30, 2025.

- At the April 2025 ACRE Committee meeting, the Committee approved the release of the Request for Proposal (RFP) for hiring a financial auditor. The RFP was issued on April 30, 2025.
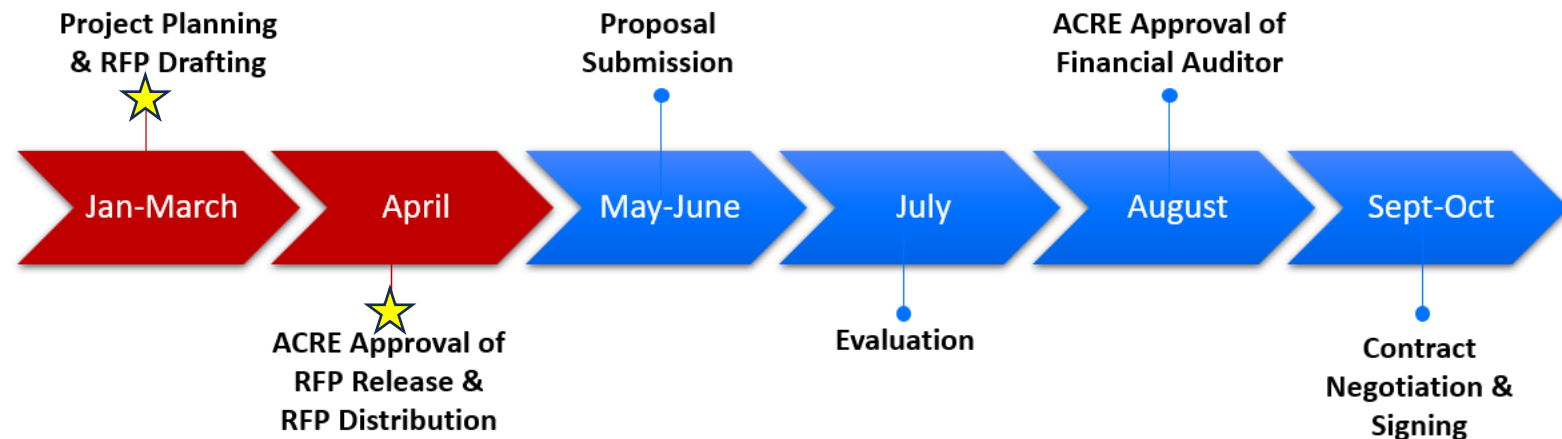
Scope of Services – Assurance & Attestation

Selected firm is to provide LACERA with the following scope of assurance & attestation services:

Financial Statement Auditing Services

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

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

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

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

GASB Disclosure Auditing Services

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

- Document the results in a written report.

Scope of Services – Assurance & Attestation (cont.)

Financial Statement Advisory Services

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

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

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

LACERA Initial Readiness Assessment Review

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

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

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

Special Ad-hoc Auditing Services

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

Scope of Services – Consulting

Selected firm is to provide LACERA with the following scope of consulting services:

Non-attestation Consulting Services

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

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

- Proactively evaluate and provide LACERA management with timely information on new developments, trends, or changes in the financial accounting standards relevant to LACERA as needed.
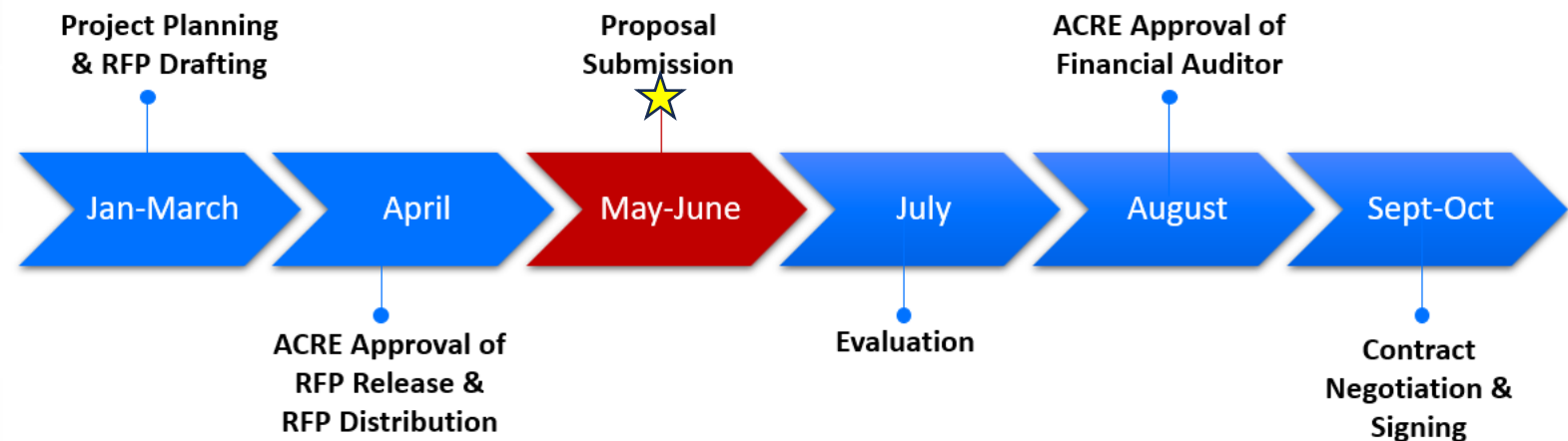
Special Ad-hoc Consulting Services

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

RFP Distribution and Proposal Submission Results

➤ **RFP Distribution Strategy:** The RFP was distributed to large accounting firms with government practice. LACERA focused on firms with deep expertise in public pension auditing, as well as experience with government accounting standards, investments, and complex IT environments.

➤ **Diversity, Equity, and Inclusion (DEI) Considerations:** All candidate firms are committed to DEI as represented by their submission of DEI strategy and initiatives (i.e., Equal employment opportunity and non-discrimination policies, anti-harassment policy and procedures, and board oversight of DEI).

➤ **Proposal Submission Results:** In June 2025, we received six bids which were verified by Internal Audit to have met the required minimum requirements:

1. Baker Tilly, LLP
2. BDO, LLP
3. CLA (CliftonLarsonAllen LLP)
4. Eide Bailly, LLP
5. Grant Thornton, LLP
6. Plante & Moran, PLLC

Project Planning & RFP Drafting — Jan-March

ACRE Approval of RFP Release & RFP Distribution — April

Proposal Submission — May-June

Evaluation — July

ACRE Approval of Financial Auditor — August

Contract Negotiation & Signing — Sept-Oct

RFP Evaluation Team

The RFP Evaluation Team reviewed all six proposals and interviewed the top candidate firms. The RFP Evaluation Team consisted of representatives from seven divisions across the organization:

- ❖ **Executive Office**
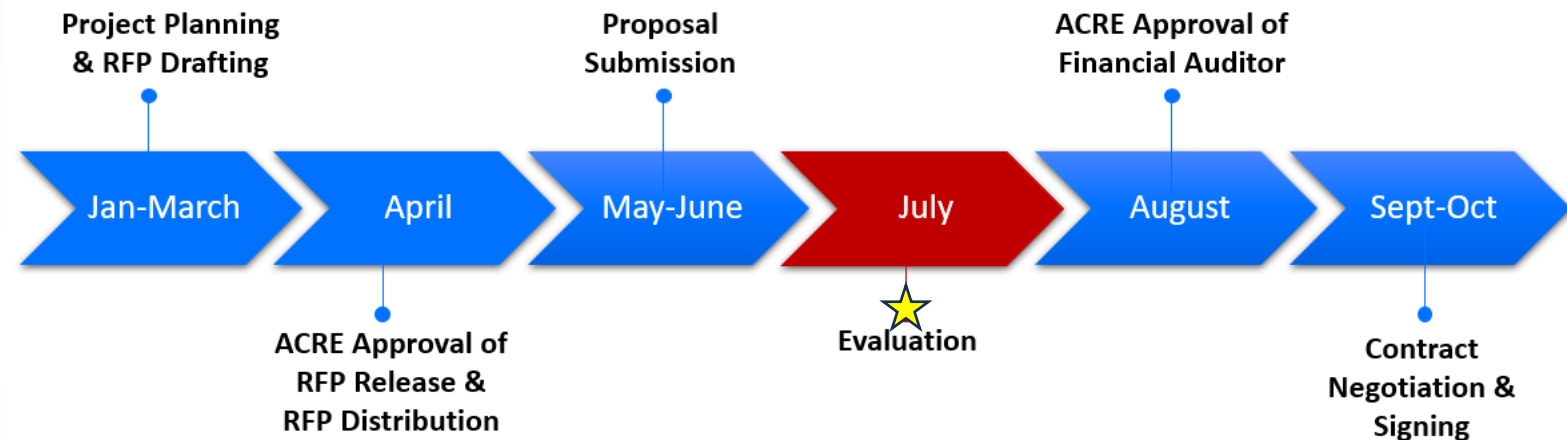- ❖ **Financial & Accounting Services**
- ❖ **Investments**
- ❖ **Benefits**

- ❖ **Systems**
- ❖ **Retiree Healthcare**
- ❖ **Internal Audit**

Project Planning & RFP Drafting — **Jan-March**

ACRE Approval of RFP Release & RFP Distribution — **April**

Proposal Submission — **May-June**

Evaluation ★ — **July**

ACRE Approval of Financial Auditor — **August**

Contract Negotiation & Signing — **Sept-Oct**

RFP Evaluation Process Overview

Phase I: Assess proposals

- Individual members of the RFP evaluation team score the six proposals based on the RFP evaluation criteria.
- Calculate the total weighted scores of each firm (slide 11).
- Discuss strengths and concerns with each firm's proposal.

  Result: Advanced 4 firms (CLA, Eide Bailly, Grant Thornton, Plante Moran) to Phase II.

Phase II: Interview top firms & Fee analysis

- The RFP evaluation team members interview top firms to gain deeper insights into their proposed audit approach, team composition, and experience with public pension funds.
- Fee analysis of top firms (slide 12).
- Evaluate client reference checks of top firms.

  Result: Advanced 2 firms (CLA, Plante Moran) to Phase III.

Phase III: Evaluation of finalists & Identify firm(s) for ACRE Committee approval

- Assess each finalist's alignment with LACERA's audit needs and expectations.
- Discuss strengths and concerns of finalists' presentations and proposals (slide 13 and 14).
- Identify firm(s) for ACRE Committee selection and approval.

  Result: Selected CLA for ACRE Committee approval.

RFP Evaluation Criteria

The Evaluation Team scored proposals based on the following categories:

Organization Background (25%)

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

Team Credentials (25%)

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

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

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

Fee Proposal (10%)

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

Evaluation Results – Phase I: Assess Proposals

Qualifying Firms Selected for Interview / Evaluation Criteria	Eide Bailly	Grant Thornton	Plante Moran	CLA
1. Organization Background (25%)	2.0	2.1	2.2	2.2
2. Team Credentials (25%)	2.0	2.0	2.2	2.1
3. Evaluation of Approach to Performance of Required Services (40%)	3.0	3.2	3.3	3.4
4. Fee Proposal (10%)	0.05	0.05	0.08	0.08
Total Weighted Scores	**7.05**	**7.35**	**7.78**	**7.78**

Firms Not Selected for Interview	Justifications
BDO	Proposal did not meet LACERA's evaluation criteria.
Baker Tilly	Proposal did not meet LACERA's evaluation criteria.

Evaluation Results – Phase II: Fee Analysis of Top Firms

Firms	5-Year Total Cost*	Average Annual Cost	5-Year Total Hours*	Average Annual Hours	Average Hourly Rate
Eide Bailly	$ 1,370,603	$ 274,121	6,390	1,278	$ 214.49
CLA	$ 1,416,892	$ 283,378	7,529	1,506	$ 188.19
Plante Moran	$ 1,507,050	$ 301,410	7,750	1,550	$ 194.46
Grant Thornton	$ 1,516,760	$ 303,352	11,688	2,338	$ 129.77

*The 5-year total audit fees and total hours were obtained from the firms' proposed fee schedules.

Legend

HIGH   LOW

Firms Selected Post-Internal Interview	Organization Background	Team Credentials	Evaluation of Approach to Performance of Required Services	Fee Proposal
CLA	✓ Dedicated practice of public pension funds ✓ Has DEI programs and initiatives ✓ Positive feedback from the client reference checks ✓ Sound IT security infrastructures are in place ✓ Branch office in Irvine, CA	✓ Decades of experience serving multiple public pension funds similar in complexity and size to LACERA ✓ Dedicated integrated IT auditors experienced in public pension systems ✓ Experienced in assisting other public pension clients with enterprise resource planning (ERP) implementation and pension administration system upgrades	✓ Proposed an integrated audit approach that combines the evaluation of a company's financial statements with an assessment of its internal controls, governance, and risk management ✓ Deep expertise in auditing public pension funds' IT systems and IT general controls ✓ Strong understanding of the engagement objectives of the initial readiness risk assessment project ○ First year audits require steeper learning curve and increased demand on staff	✓ Proposed fees and hours are within the expected range

Legend   ✓ Strength   ○ Concern

Evaluation Results – Phase III: Evaluation of Finalists

Firms Selected Post-Internal Interview	Organization Background	Team Credentials	Evaluation of Approach to Performance of Required Services	Fee Proposal
Plante Moran (PM)	✓ Dedicated practice of public pension funds ✓ Has DEI programs and initiatives ✓ Positive feedback from the client reference checks ✓ Sound IT security infrastructures are in place ○ Does not have a California office	✓ Decades of experience serving multiple public pension funds similar in complexity and size to LACERA ○ The proposed team does not have dedicated IT auditors involved in the audit ○ The newly proposed team is not as experienced as the existing PM audit team	✓ Institutional knowledge gained from nearly a decade of direct experience working as LACERA's financial auditor ○ Audit approach remains largely unchanged from prior years ○ Does not focus on evaluating LACERA's IT systems or IT general controls	✓ Proposed fees and hours are within the expected range

Legend   ✓ Strength   ○ Concern

CLA's Fee Proposal

CLA proposed the total five-year audit fees for the Pension Trust, OPEB Trust, and OPEB Custodial Fund. Below chart breaks down the audit fees by each fiscal year. The aggregate audit fees for five years are $1,416,892.

Proposed Fees by Fiscal Year	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Pension Trust	$ 220,395	$ 174,786	$ 180,903	$ 187,235	$ 193,788	$ 957,107
OPEB Trust	$ 81,340	$ 64,625	$ 66,887	$ 69,228	$ 71,651	$ 353,731
OPEB Custodial Fund	$ 23,741	$ 19,529	$ 20,212	$ 20,920	$ 21,652	$ 106,054

- Fees are based on the scope of services for the Pension Trust, OPEB Trust, and OPEB Custodial Fund.
- CLA's proposed fees is within 5% of other fee proposals.

Auditor Transition Timeline

FYE 2025

> **Financial Statement Auditing Services**
> **Governmental Accounting Standards Board (GASB) Disclosure Auditing Services**

FYE 2026

> **LACERA Initial Readiness Assessment Review**
> **Financial Statement Auditing Services**
> **GASB Disclosure Auditing Services**

FYE 2027 and beyond

> **Financial Statement Auditing Services**
> **GASB Disclosure Auditing Services**

Plante Moran (PM)

Transition to Successor Auditor

Successor Auditor

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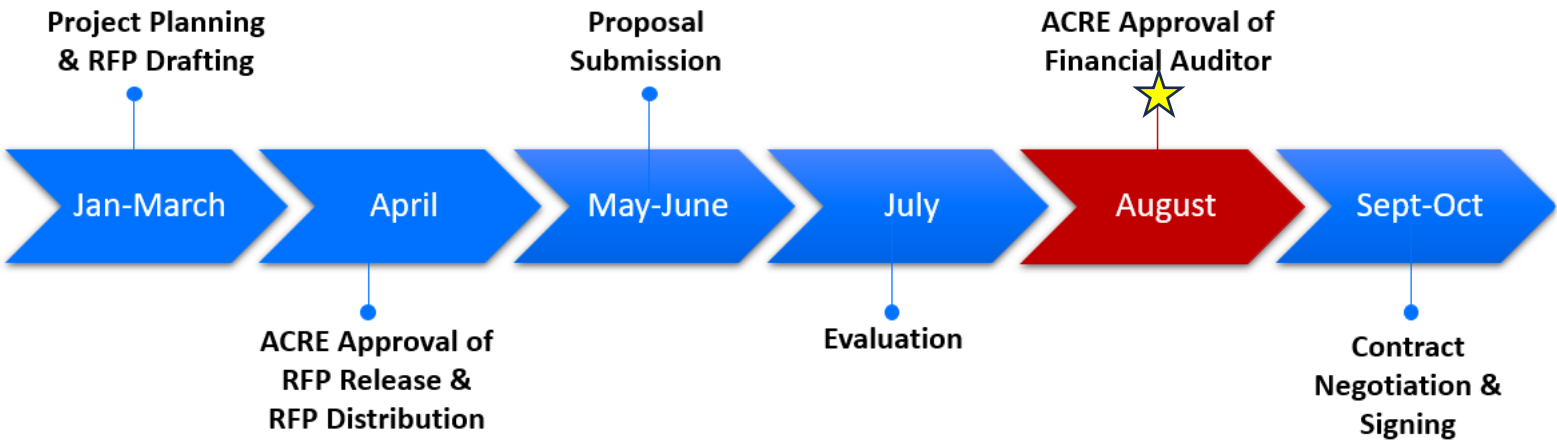
Conclusion

Given their demonstrated expertise, value, and alignment with LACERA's needs, the evaluation team unanimously supports the selection of CLA as the best choice as our financial auditor. CLA will be presenting their proposal and answering any questions at the ACRE Committee meeting.

We respectfully request the Committee to approve the appointment and compensation for CLA as LACERA's financial auditor. If the Committee approves, staff will proceed to negotiate a contract with CLA.

CliftonLarsonAllen LLP

Project Planning & RFP Drafting		Proposal Submission		ACRE Approval of Financial Auditor	
Jan-March	April	May-June	July	August	Sept-Oct
	ACRE Approval of RFP Release & RFP Distribution		Evaluation		Contract Negotiation & Signing

Los Angeles County Employees Retirement Association

Audit, Compliance, Risk and Ethics Committee Presentation

August 21, 2025

Agenda

Engagement Team

Firm Overview

Industry and Client Experience

Audit Approach and Work Plan

Our Commitment to LACERA

Appendix – Additional Services

Christian (Chris) Rogers, CPA
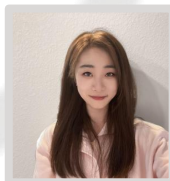*Engagement principal*
Boston, Massachusetts

Heather Plitt, CPA, MBA
Quality control
Baltimore, Maryland

James (Jim) Kreiser, CISA, CRMA, CFSA
IT principal
King of Prussia, Pennsylvania

Michael (Mike) Nyman, CPA, CISA, CISSP, CITP, CRISC
IT director
Phoenix, Arizona

Brittany Smith, CPA, CIA
Experienced manager
Bellevue, Washington

Stephen Coverstone, CPA
Senior
Irvine, California

Bella Di, CPA
Senior
Bellevue, Washington

Engagement Leaders' Experience

Chris Rogers

- 31+ years of government experience
- Managing principal of CLA's State & Local Government practice
- Firm Designated Audit Quality Partner for the AICPA's Government Audit Quality Center (GAQC)
- GFOA Special Review Committee for the Certificate of Achievement for Excellence in Finance Reporting Program, *Past Member*
- AICPA State and Local Government Expert Panel, *Past Member*

Jim Kreiser

- 26+ years of government experience
- National IT services leader for state and local governments
- ERP implementation assistance
- Expert IT speaker for numerous government associations
- 10 years experience at a Big 4 firm in business risk and technical advisory services groups
- Previously held internal audit roles at CitiBank, AMP and Capital BlueCross

Engagement Leaders' Experience

Brittany Smith

- 13+ years of government pension plan experience
- CLA's government retirement plan subject-matter lead
- Lead manager on 10+ large public retirement system audits annually
- Career dedicated to public pension & OPEB plans
- Government retirement data analytics and control consulting lead
- Association of Public Pension Fund Auditors' (APPFA) – 3 time speaker on public pension data analytics and audit engagement
- Public Pension Financial Forum (P2F2) - 5 time speaker on topics related to data analytics

Mike Nyman

- 25+ years of government experience
- Arizona Society of Certified Public Accountants
  - Information Technology Steering Committee Member (2011-present)
  - Information Technology Steering Committee Chair (2014-2019)
  - ASCPA Magazine Editorial Board (2024-present)
- Before joining CLA, Mike worked with a Big 4 firm in Phoenix, where he served as a technology and security risk services senior manager from 1997 to 2008 for large entities
- Senior Information Technology assurance manager for the West region of CLA and Arizona leader of the IT assurance practice

Firm Overview

National and International Reach
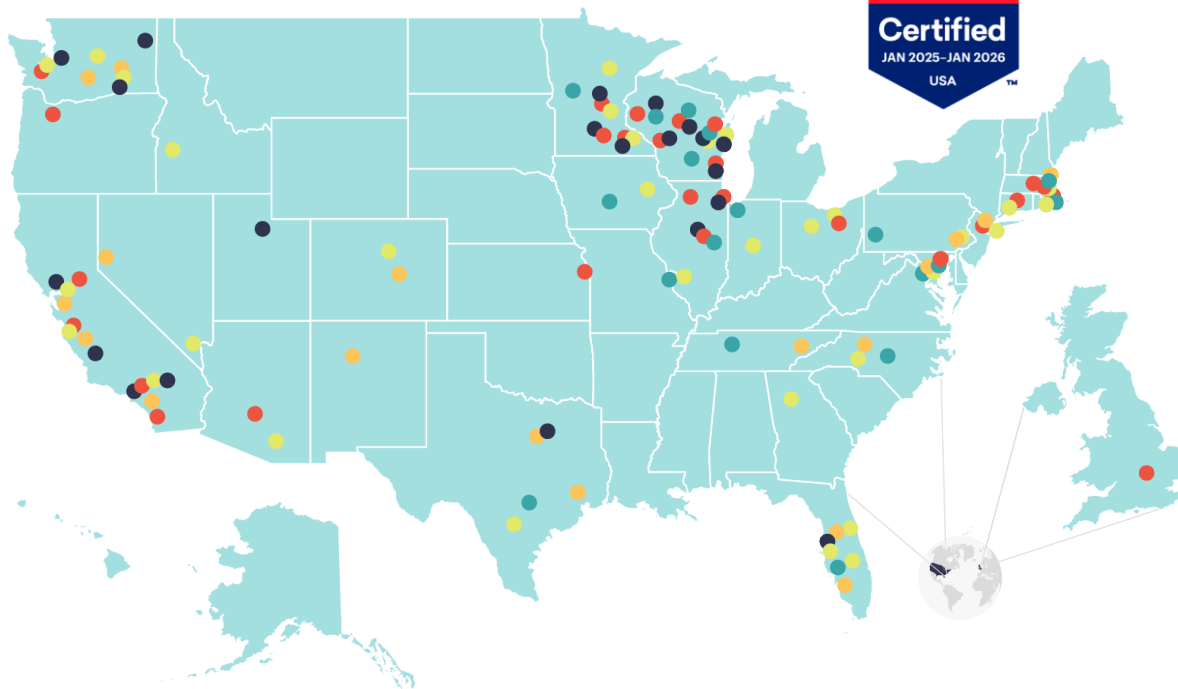
9,000

NEARLY 9,000 PEOPLE

130+

LOCATIONS

AN INDEPENDENT
NETWORK MEMBER OF

CLA Global

CLA (CliftonLarsonAllen LLP) is an
independent network member of CLA
Global. See CLAglobal.com/disclaimer.

National Government Practice

CREATING OPPORTUNITIES FOR OUR CLIENTS

4,200+
GOVERNMENT ENTITIES SERVED

$180+ MILLION
IN REVENUE

60+
YEARS IN BUSINESS

600+
PROFESSIONALS

PROVIDING CONSULTING AND OUTSOURCING, AUDIT, TAX, AND DIGITAL SOLUTIONS

Industry and Client Experience

National Retirement Plan Experience >$40B (Sample)

Commonwealth of Massachusetts*	Washington State Department of Retirement Systems	CalSTRS*	Public Employees' Retirement Association of Colorado*
Pennsylvania Public School Employees' Retirement System*	Arizona State Retirement System*	State Retirement & Pension System of Maryland	Employees Retirement System of Texas*

* Pension and OPEB

California Government Experience

Sample Government Retirement Systems

- Fresno County Employees' Retirement Association
- California Department of HR Savings Plan
- CalSavers
- CalSTRS (cybersecurity)

Sample Cities and Counties

- California Housing Authority
- City of Santa Barbara
- City of Pasadena
- City of Newport Beach
- City of Irvine
- City of Orange
- San Bernadino County
- San Luis Obispo County

Deep Industry Connections

CLA actively supports industry education as a thought leader and industry speaker. We focus on supporting the educational needs of the industry through nationally sponsored trade events. Our team of professionals is sought after, both as educators and as experienced speakers who are invited to speak and teach at major professional events by leading trade associations, including those shown here.

We're also actively involved in and/or are members of these professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- AICPA's State and Local Government Expert Panel
- AICPA's Government Audit Quality Center (GAQC)
- Government Finance Officers Association (GFOA)
- Special Review Committee for the GFOA's Certificate of Achievement for Excellence in Financial Reporting (Certificate) Program
- Association of Government Accountants
- Public Pension Financial Forum (P2F2)
- National Association of State Retirement Administrators (NASRA)
- Public Retirement Information Systems Management (PRISM)

Audit Approach and Work Plan

Auditor Transition Plan

Experienced Industry Specialized Team

Constant communication

Preparation

Leveraging review of prior year workpapers

Intensive involvement of Principals and Managers

Investing in our relationship

Communication and Commitments

CLA believes **timely and consistent communication** is the foundation of a successful business relationship

We respond to all emails and phone calls within **24 hours**

With CLA, you receive a **year-round commitment**

We commit to **meeting all deadlines**

We commit to **continuity of staff**

Financial Statement Audit Approach

Phase 1 — Planning and strategy

Phase 2 — Systems evaluation

Phase 3 — Testing and analysis

Phase 4 — Reporting and follow up
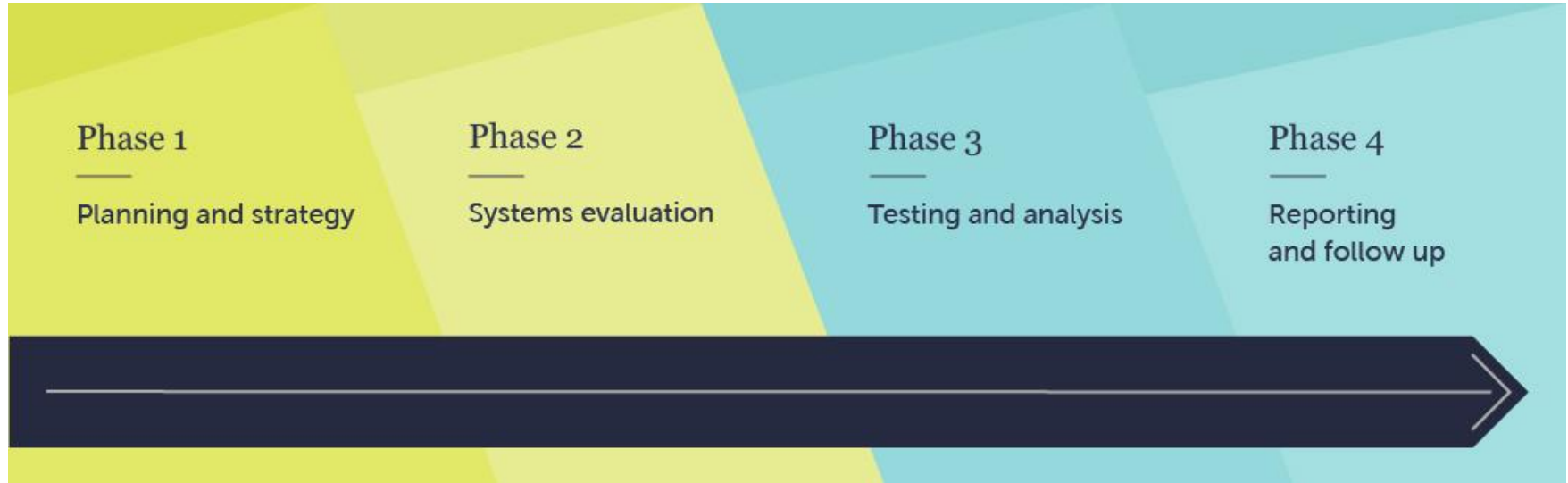
LACERA Specific Planning Considerations

Review of LACERA's current timelines:

ACFR audit

Employer census testing

GASB 68/75 audit

Initial Readiness Assessment

Key vendors/agencies:

SSB

LA County

Milliman

Segal

Critical Audit Areas

Investments

Contributions

Benefit payments

Actuarial data

Critical Audit Areas - Investments

Understanding of internal controls

- Review of internal audit procedures and reports
- Walkthroughs
  - Reconciliation procedures
  - Alternative investment initial due diligence and on-going monitoring
  - Compliance monitoring
- Review custodial bank's SOC 1 report
  - Walkthrough key controls

Substantive procedures

- Confirmation of custodial and non-custodial investments
- Price testing of equity and fixed income securities
- Review of audited financial statements and roll-fowards of non-custodial (alternative) investments
  - Approach to valuation (audited financial statements or alternative procedures)

Critical Audit Areas - Contributions

Understanding of internal controls

Review of internal audit procedures and reports

Walkthroughs of contribution and purchase of service processes

Test of controls over the contributions process
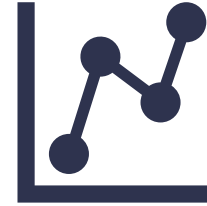
Substantive procedures

Reconciliation of contributions from G/L to Subsidiary

Confirmation of contributions with LA County

Analytical procedures including data analytics

Critical Audit Areas – Benefit Payments

Understanding of internal controls

Review of internal audit procedures and reports

Walkthroughs of benefit payments processes; separate walkthroughs for disability, survivor, DROP, regular retirement and refund processes

Test of controls over the benefit payment processes

Substantive Procedures

Reconciliation of benefit payments between G/L and subsidiary Ledger

Analytical procedures including data analytics

Critical Audit Areas – Actuarial Data

- AU-C section 500.08 - use of a management specialist
  - Evaluate the competence, capabilities and objectivity of the specialist
    - Confirm actuaries' independence and accreditation
    - Prior experience with the actuaries
  - Obtain an understanding of the work of the specialist
    - Review the nature, scope and objectives of the work of the specialist
  - Evaluate the appropriateness of the work of the specialist
    - Review of the actuary report and compare key assumptions to pension and actuarial industry standards
    - Review of independent actuarial studies
  - Additional testing specific to GASB 67/68 and 74/75

Critical Audit Areas – Actuarial Data

- AU-C section 500.08 - use of a management specialist
  - Census Data
    - Leverage data analytics performed over contributions and benefit payments to test the active and retiree census data for completeness and accuracy.
    - Test employer payroll data against data reported to LACERA and accuracy of key census data elements.
- Utilize an independent actuary to evaluate the sufficiency and appropriateness of LACERA's actuarial valuation in accordance with AU-C 620 – Using the Work of an Auditor's Specialist.

Information Technology (IT) Approach

Summarize the items within the IT Environment (i.e., applications, infrastructure, etc.)

Identify the risks related to the IT Environment

Identify the key controls within the IT Environment and evaluate the design and perform a walkthrough of each key control

Determine the Impact on the Audit Approach

IT Approach – Major Components of IT Environment

- Program Change Management

- Infrastructure Security/Controls Risks

- Network Security/User Access

- Application Security/User Access

- Backup/Recovery

- Cybersecurity

Data Analytics

- Government retirement specific analytics

- Performed over 100% of the population

- Insights and results are incorporated into substantive audit procedures and discussed with management

Data Analytics Methodology

01 Planning
02 Expectations
03 Data acquisition
04 Technical data analysis
05 Interpret results and risk assessment
06 Response and document

Timeline

January	Entrance Conference Pre-interim work Review prior year workpapers Request initial planning documents from LACERA
February	Initial planning meeting
February - March	Initial Readiness Assessment
February or March	Entrance presentation to Audit, Compliance, Risk, and Ethics (ACRE) Committee
April	Interim audit work begins
August - September	Audit fieldwork begins
October 5	1. Independent Auditor's Report on Financial Statements – Draft (electronic submission) 2. Independent Auditor's Report re GASB Pronouncements 68 – Draft (electronic submission)
October 15	1. Independent Auditor's Report – Financial Statements – Final 2. Required Communication to the ACRE Report 3. Memo to Management on Operational Processes and Internal Control Improvements
October	Presentation to LACERA management
November or December	Exit presentation to the ACRE Committee
May 15	1. Independent Auditor's Report re GASB 68 – Final 2. Independent Auditor's Report re Fair presentation of the schedule of changes in fiduciary net position by employer for Los Angeles County's portion of the OPEB Trust
Ongoing	Bi-weekly planning and update meetings

Our Commitment to LACERA

Team

Service

Experience

Benefit from **staff continuity** and specialized expertise in state and local government year-round.

High level of **principal and manager involvement.**

Proactive communication and **strong project management** is our focus.

Adding value by providing **leading practices and recommendations**.

Commitment by CLA leadership to timely, quality service.

Access to one of the country's largest and most **knowledgeable** pools of resources in the government pension industry

Provide high **quality** services

Work completed timely to ensure all deadlines met

CPAs | CONSULTANTS | WEALTH ADVISORS

29

Chris Rogers Brittany Smith Jim Kreiser Mike Nyman Bella Di

THANK YOU!

CLAconnect.com

CPAs | CONSULTANTS | WEALTH ADVISORS

Appendix - Additional Services

Digital Services

Every industry faces distinct challenges. Allow us to leverage our decades of industry experience to provide informed strategies.

Cybersecurity
Risk assessments
Incident response

Analytics
Digital assessments
Dashboard and data warehouse solutions

Automation and integration
AP automation
Grants management

Artificial intelligence
Workflow automation
Custom model development

Software
Selection and implementation
System integration

AWARDS AND RECOGNITION

We're a Partner Platinum Club winner FY 23, FY 24
Sage Partner Platinum Club

accountingTODAY
2025 Top 100 Firms

THE TOP 50 CONSTRUCTION ACCOUNTING FIRMS CLA #1
2019, 2020, 2021, 2022, 2024
CONSTRUCTION EXECUTIVE

Acumatica The Cloud ERP
Gold Certified
VAR

PLATFORMS

alteryx

Acumatica The Cloud ERP

Microsoft

Sage

Turn Challenges into Opportunities with Digital

Let us help develop your vision and strategy to adopt the technology
needed to power your company's continued success.

Kickstart your digital strategy to transform your data to make accurate, informed decisions.

Transform your data

Software integration

Data modernization

Automation

We Can Help You in 3 Ways ...

Automation and integration

Automation and abundant data is radically changing the world. Discover how digital strategies can help you advance.

Analytics

Gain visibility across your business with financial management and accounting applications tailored to your needs.

Cybersecurity

Protect your business as comprehensively as possible. Our hackers are seasoned security professionals, and you'll be glad they're on your side.

Turn challenges into *opportunities*

Let us help develop your vision and strategy to adopt the technology needed to power your company's continued success.

Kickstart your digital strategy to transform your data to make accurate, informed decisions.

We Can Help You in 3 Ways …

IT risk assessment

Identify systems and processes in need of improvement.

Cyber training

Train employees to recognize threats and use security controls.

Cyber policy

Creating guidelines for safe computing practices and security breaches.

Keep Track of Your Most Critical Assets

Identify key data, recover critical information, and recognize misuse of computing systems to better protect your organization.

Protect your organization

Analyze data to help find potential fraud

Identify theft of intellectual property by employees

Analyze mobile device data and activity

Determine the nature and scope of a computer systems breach

Establish fraud prevention measures in computer systems

Our forensics team consists of former federal agents, fraud investigators, and cybersecurity professionals with experience in digital forensics.

We Can Help You in 3 Ways …

Find potential fraud

Determine suspicious document copying or sharing.

Breach assessment

Incident and data breach assessment, including nature and scope.

Fraud prevention

Fraud risk assessment and anti-fraud and ethics training.

Analyze data to help find potential fraud

Identify theft of intellectual property by employees

Protect your organization

Determine the nature and scope of a computer systems breach

Establish fraud prevention measures in computer systems

Our forensics team consists of former federal agents, fraud investigators, and cybersecurity professionals with experience in digital forensics.

Reduce Cyber Risk

Implement strong governance, risk, and compliance policies to enhance your organization's cybersecurity.

Enhance cybersecurity

Risk assessments

IT controls assessments (NIST, CIS, etc.)

Policy development

Compliance assessments (PCI, GLBA, HIPAA, etc.)

We can help you take a comprehensive approach to sustain the security and resilience of your organization's technology infrastructure.

40

Penetration testing

Vulnerability assessments

Security testing

Social engineering

Computer forensics

We can help you take a comprehensive approach to sustain the security and resilience of your organization's technology infrastructure.

41

Protect Vulnerable Entry Points

Protect your network's vulnerable entry points and secure your most sensitive information.

Penetration testing

Application/API penetration test

External penetration test

Internal penetration test

Social engineering

Wireless network penetration test

Purple Team collaborative assessments

Red Team covert assessments

Our penetration testing identifies security weaknesses and offers strategies to strengthen your defenses.
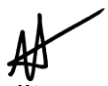
The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

LACERA

August 4, 2025

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

                  ACRE Committee Consultant
                  Larry Jensen

FROM: Nathan K. Amick
            Senior Internal Auditor

FOR: August 21, 2025 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Internal Audit Annual Performance Report – Fiscal Year Ended 2025**

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).

The ACRE Committee approved the Fiscal Year End (FYE) 2024–2025 Audit Plan in September 2024 and later approved the amended plan in December 2024. Of the 34 projects on the amended Audit Plan (see page three of this memo), projects #8 and #13 were consolidated, and project #25 was removed after consulting with Executive Management. The ACRE Committee was informed that project #25 would instead be included in the upcoming case management project. As a result, the total number of projects used for reporting purposes is 32.

As of June 30, 2025, Internal Audit staff has made the following progress:

Status	Projects	% of Total
Completed	23	72%
In Progress	6	19%
Total Addressed	29	91%
Carry Forward 2026	3	9%

A total of 29 projects have been addressed through completion or active progress, representing 91% of the Audit Plan. Three of the remaining four projects (9%) have been carried over to Internal Audit's FYE 2025–2026 Audit Plan.

Staff prepared and will present the attached FYE 2025 Annual Performance Report which provides additional details and insight into the work performed throughout FYE 2025.

Attachment
     A - FYE 2025 Annual Performance Report as of June 30, 2025 - Presentation

NKA

	Audit Plan 2024-2025 Status as of June 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	Opportunities for Improvement
2	Executive Office	Business Continuity	Assurance	In Progress	
3	Executive Office	Follow-up Techincal Audit of Granicus' OneMeeting	Assurance	Completed	N/A
4	Organizational	Continous Audit Processing (CAP)	Assurance	Completed	N/A
5	Organizational	Reco F/U (coordination)	Assurance	Completed	N/A
6	Organizational	Risk Assessment	Assurance	Completed	N/A
7	Organizational	Organizational Culture	Value Added	Completed	N/A
8	Information Security	Cyber Security NIST Audit *	Assurance	In Progress	
9	Legal	Ethics and Compliance Hotline Update	Value Added	Completed	N/A
	Business Services Group - Administrative Services (Admin Serv), Human Resources (HR), Systems Division				
10	Adm Services	Inventory Asset Management	Value Added	Completed	N/A
11	Adm Services	Vendor Security Assessment	Assurance	Carry Forward	
12	Human Resources	Recruitment and Hiring Process Advisory Review	Advisory	Completed	N/A
13	Systems	IT Risk and ISO NIST Assessment *	Assurance	In Progress	
14	Systems	Oversight of SOC FYE 2024 & 2025	Assurance	Completed	N/A
	Investments & Financial Accounting Services Division (FASD)				
15	FASD	CEO Corporate Credit Cards - FYE 2024	Assurance	Completed	Satisfactory
16	FASD & Investments	Investment, FASD, and Custodian Roles and Responsibilities Review	Advisory	In Progress	
17	Investments	Securities Lending Audit	Assurance	Carry Forward	
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	Completed	N/A
20	FASD	Oversight of Financial Audit FYE 2024 & 2025	Assurance	Completed	N/A
21	FASD	Oversight of Audit of Actuarial Services	Assurance	Completed	N/A
22	Investments	Oversight of THC Financial Audits and Tax	Assurance	Completed	N/A
	Member Operations - Benefits, Disability Retirement Services (DRS), Retiree Healthcare (RHC), Members Services (MS)				
23	Benefits	Account Settlement Collections	Value Added	Completed	
24	Benefits	LA County Payroll - LACERA's Controls	Assurance	In Progress	
25	Benefits	Death Claims Process Audit	Assurance	Not to be performed	
26	Benefits	GRC Review of Benefits Protection Unit (BPU)	Advisory	Carry Forward	
27	Retiree Healthcare	Provider Premium Calculations & Payments Audit	Assurance	In Progress	
	Internal Audit Operations				
28	Internal Audit	Quality Assurance Improvement Program	IA Administration	Completed	N/A
29	Internal Audit	Provide training to MAC and ACRE Committee	IA Administration	Completed	N/A
30	Internal Audit	Audit Committee Support	IA Administration	Completed	N/A
31	Internal Audit	Develop IA 3-Year Roadmap	IA Administration	Completed	N/A
32	Internal Audit	Develop IA Staff Training Plan	IA Administration	Completed	N/A
33	Internal Audit	RFP to Expand Audit Pool	IA Administration	Completed	N/A
34	Internal Audit	Develop Formal CAP	IA Administration	Completed	N/A

* Projects were combined and being performed as one project

Internal Audit
Annual Performance Report
For Fiscal Year Ended (FYE) June 30, 2025

Prepared by:

Nathan K. Amick, Senior Internal Auditor

Table of Contents

Annual Report Overview

Internal Audit is pleased to present the Annual Performance Report for the FYE June 30, 2025.

Through assurance, consulting, and advisory projects, Internal Audit continues to strengthen accountability, integrity, and management practices at LACERA, with a focus on strengthening risk management, controls, and governance.
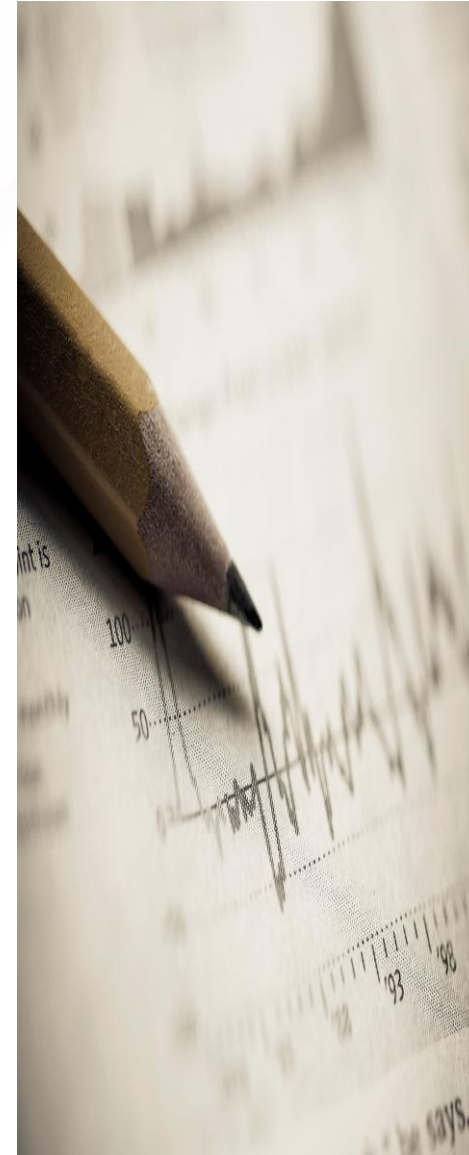
Internal Audit

Internal Audit is now fully staffed with all 11 budgeted positions filled. Our team is experienced and holds several certifications including CPA, CIA, CFE, and CISA.

Staff qualifications and ongoing development are vital indicators of our department's effectiveness.
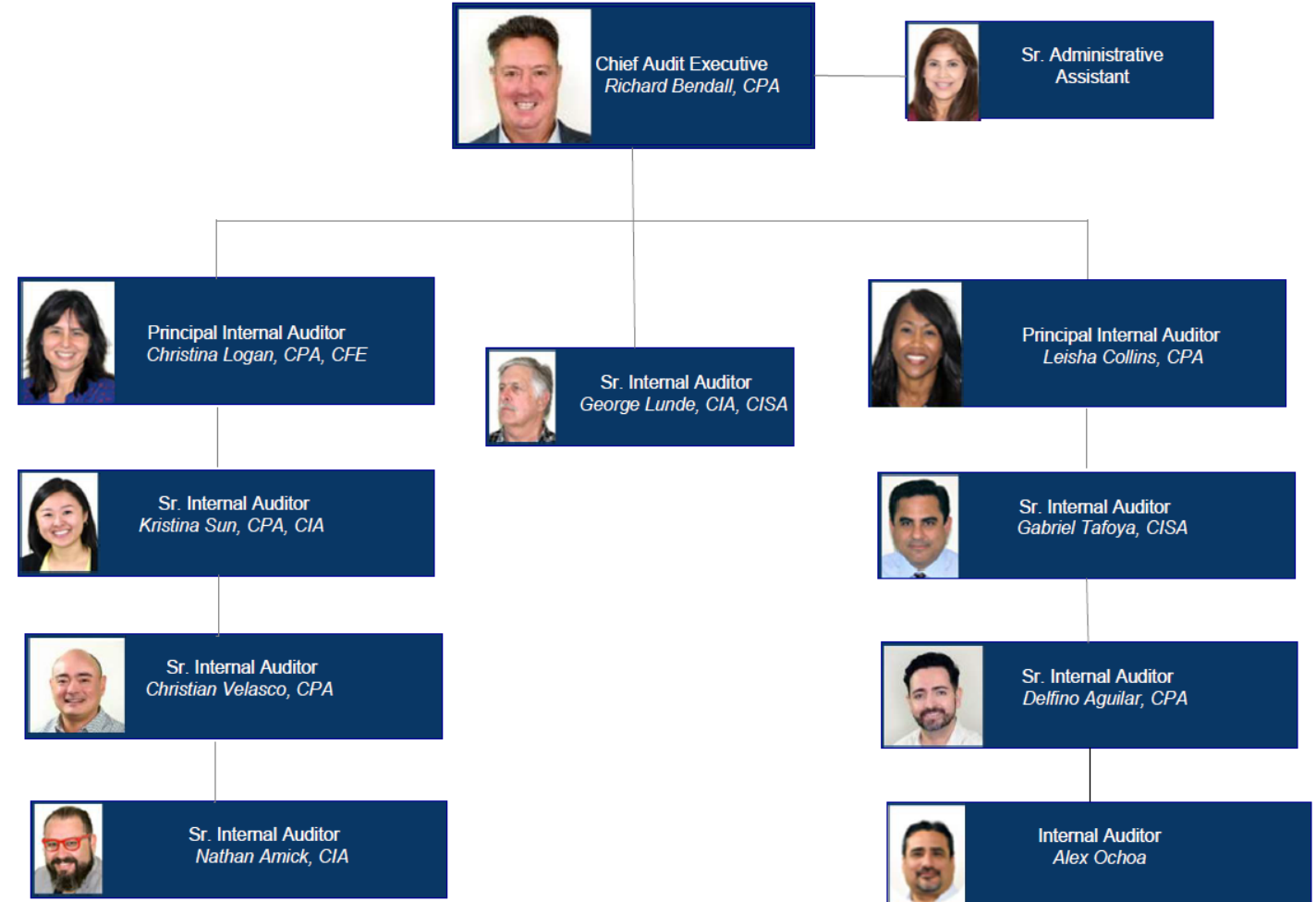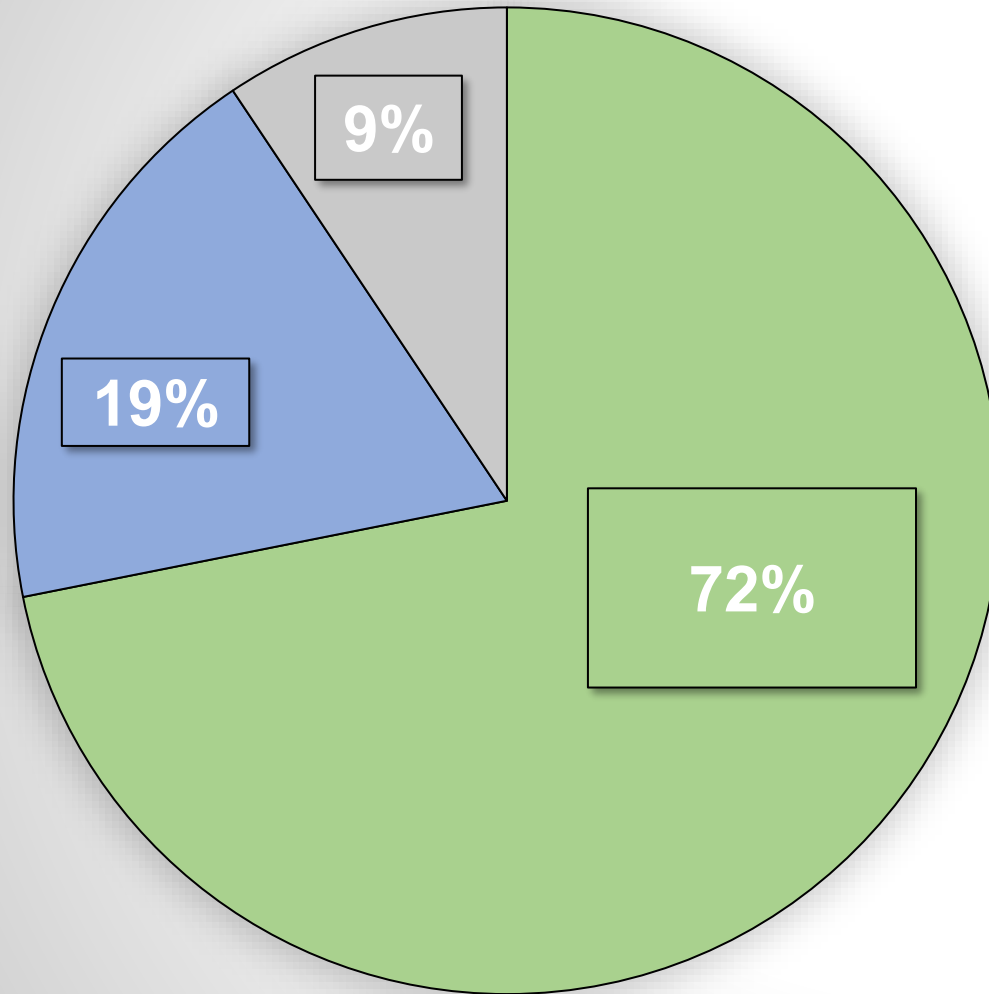
FYE 2025
Year In Review

FYE 2025 Audit Plan Results

June 30, 2025

Legend:
- Completed - 23
- In Progress - 6
- Carryover 2026 - 3

Chart values: 72%, 19%, 9%

Coverage and Allocation
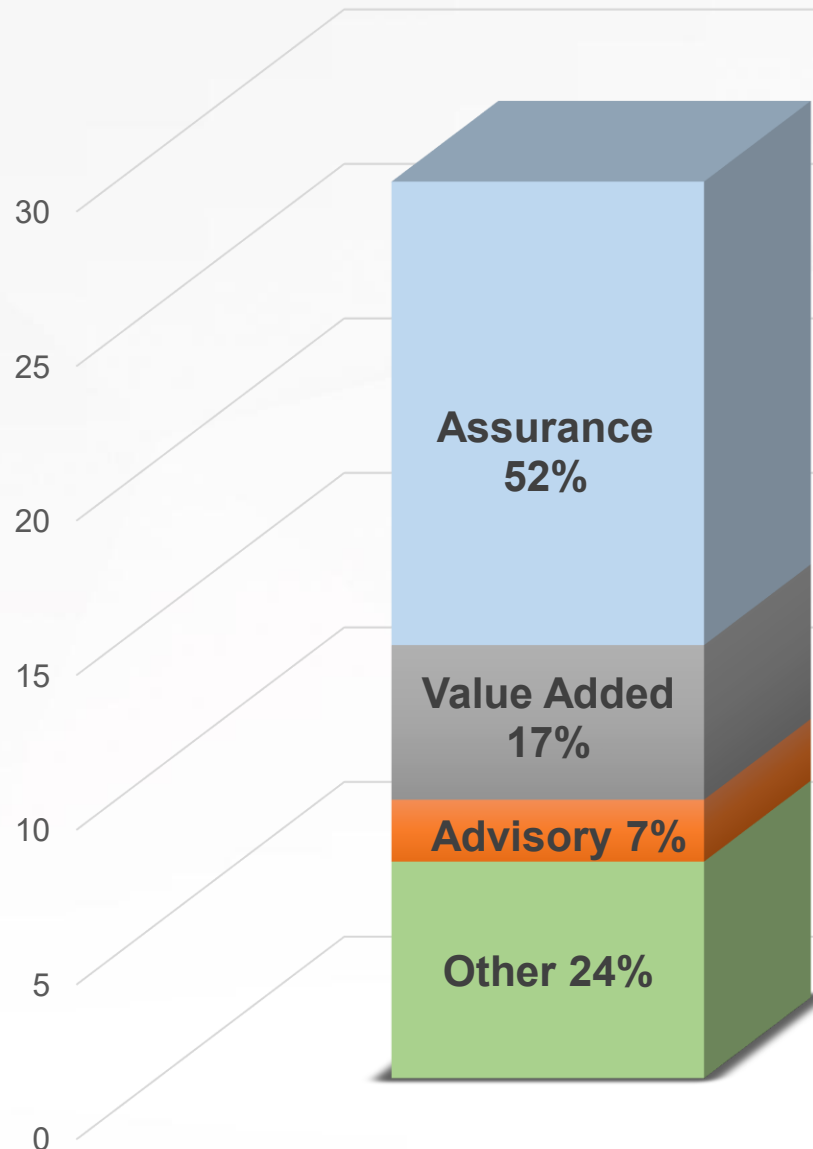
Internal Audit completed 23 projects and continues to work on 6 projects (29 in total), delivering the following services to the organization:

1. Assurance: Objective reviews for independent assessments to Management and the ACRE Committee.

2. Value Added: Informal advice to Management.

3. Advisory: Formal evaluations and recommendations to improve LACERA's governance, risk management, and controls.

4. Other: Administrative tasks related to audit operations.

Chart:

Category	Percentage
Assurance	52%
Value Added	17%
Advisory	7%
Other	24%

Y-axis scale: 0, 5, 10, 15, 20, 25, 30

Coverage and Allocation

Admin 5%

Benefits 9%

Executive 13%

FASD 20%

HR 5%

InfoSec 2%

Investments 11%

Legal 5%

Org. Wide 18%

RHC 5%

Systems 7%
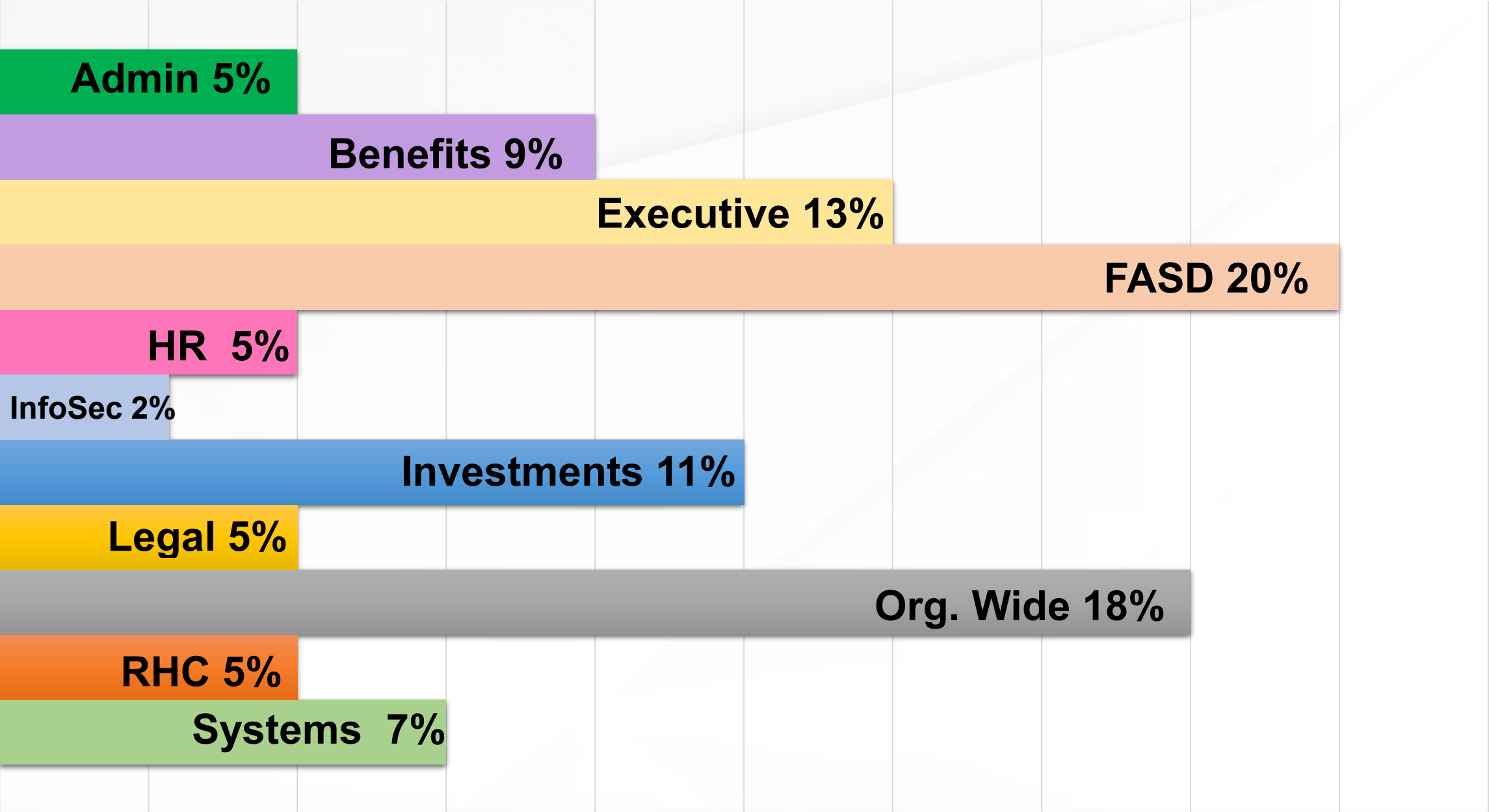
FYE 2025 Outstanding Projects

Outstanding Projects From FYE 2025 Audit Plan	Status as of June 30, 2025	Estimated Completion Date
Cyber Security NIST Assessment *	In Progress	8/30/2025
IT Risk Assessment *	In Progress	8/30/2025
Provider Premium Calculations & Payments Audit	In Progress	8/30/2025
Business Continuity Plan Audit	In Progress	9/30/2025
Strategic Asset Allocation Audit	In Progress	9/30/2025
LA County Payroll Audit	In Progress	9/30/2025
Investment, FASD, and Custodian Roles and Responsibilities Review	In Progress	Paused
Vendor Security Assessment	Carry Forward FYE 2026	TBD
Securities Lending Audit	Carry Forward FYE 2026	TBD
GRC Review of Benefits Protection Unit	Carry Forward FYE 2026	TBD
Death Claims Process Audit	Not to be Performed	N/A

* **Being performed as one project**

Enterprise Risk Managment (ERM)

| ACTIVITY	OVERVIEW
Risk Register/Aligned Assurance	Began mapping the development of an ERM risk register and aligned assurance model.
COSO Enterprise Risk Management (ERM) Training	IA Management completed the 'COSO ERM' training course offered by the Institute of Internal Auditors.
Ethics Compliance Committee participation	IA Management actively participates on the Ethics and Compliance Committee, reviewing and discussing recent policies.
Policy Management	Steered the development and implementation of the Compass Library, LACERA's library of policies and procedures.
Supporting Compliance with regards to strategic pillar	CAE participated in Board and Committee meetings in support of the compliance side of the strategic goal.

ACRE Committee Calendar for FYE 2025

FYE 2025 ACRE Committee Charter Responsibilities							
Documentation	**ACRE Charter**	**Frequency**	**Sep-24**	**Dec-24**	**Mar-25**	**Apr-25**	**Jun-25**
Audit Engagement Reports	VII.A.1.h.	Every Meeting	C	C	C	C	C
Audit Plan Status Update	VII.A.1.	Every Meeting	C	C	C	C	C
Summary of Hotline Investigations	VII.B.8 & VII,B,9.a &b	Every Meeting	C	C	C	C	C
Recommendation Follow-Up Reports	VII.A.1.i.	Every Meeting	C	C	C	C	C
Proposed Audit Plan and Budget	VII.A.1.f.	Annually		C			
Annual Risk Assessment	VII.A.1.f.	Annually					C
Annual Audit Plan	VII.A.1.f.	Annually					C
Presentation / memo by Financial Auditor detailing proposed scope of work and timing.	VII.2.a.	Annually					C
Internal Audit Charter	VII.A.1.c.	Annually	C				
Internal Audit Annual Performance Report	VII.A.1	Annually	C				
CAE Performance Evaluation	VII.A.1.k.	Annually		C			
Organizational Governance Review	II	Annually	C				
Compliance Memo from Executive Management and Legal Office	VII.B.3.a	Annually	C				
Financial Statements, Correspondence, & Presentation	VII.2.d.	Annually		C			
Audit Committee Annual Performance Report	VII E.1.	Annually		C			
ACRE Committee Charter	VII.E.4.	Every 3rd year	C				
Approve the appointment and compensation of the External Financial Auditor	VII.2.a.	Every 5th year**	Appointed in 2023, Contract ends 2026				
Ensure IA has an external quality assessment performed every five years.	VII.A.3.d.	Every 5th year	Completed FYE 2022, due FYE 2027				
Provide an open avenue of communication between IA, all Professional Service Providers, Management, and the Boards.	VII.2.e.	Continous	C	C	C	C	C
Approve the appointment & compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations	VII.2.c.	As needed					C
Review with Professional Service Providers, including the Financial Auditor, and Mgmt the results of the work performed, any findings & recommendations, Mngmt's responses, and actions taken to implement the audit recommendations.	VII.2.d., VII.3.a.-e.	As needed	C	C	C	C	C
Advise the Boards about any recommendations for the continuous improvement of the internal audit activity steming from the annual Quality Assurance Improvement Program (QAIP).	VII.A.1.e.	Annually	C				
Make recommendations to both Boards regarding the appointment, discipline, and/or dismissal, of the CAE, which will be addressed by the Boards in a joint meeting.	VII.A.1.j.	As needed					
Perform other activities related to this Charter as requested by the Boards.	VII.E.3.	As needed					

FYE 2025
Internal Audit Goals

Goal #1 – Develop and Execute a Risk-Based Audit Plan
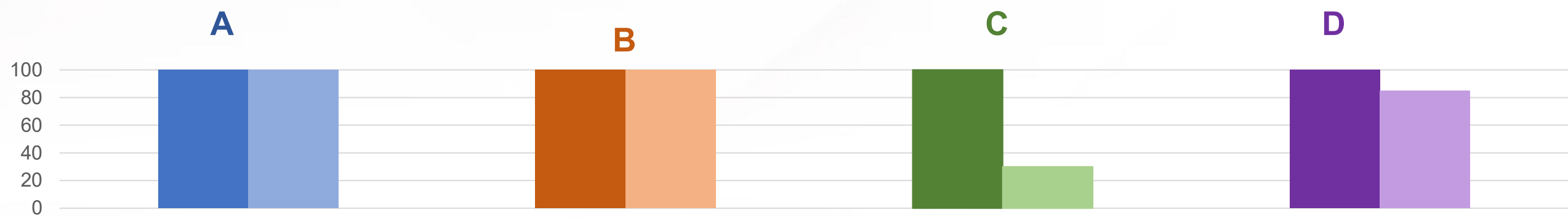
Goal #1 – Performance
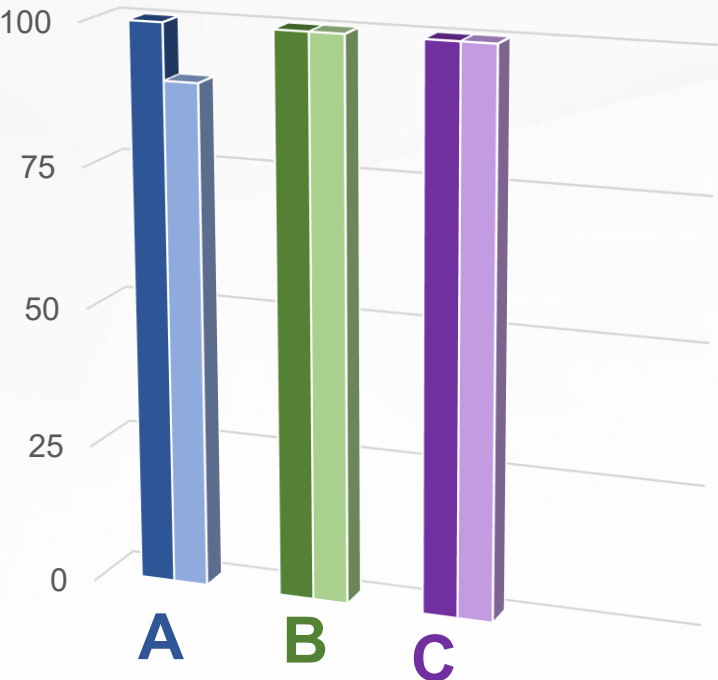
Darker shades reflect goal scale while the lighter shades reflect performance levels

A. Complete 80% of FYE 2025 Audit Plan
- o We completed 72% of the audit plan this year, falling short of our goal of 80% for the year.

B. Complete Annual Risk Assessment
- o We finished our Risk Assessment and presented the risk-based Audit Plan for FYE 2026 at your Committee's June 2025 meeting, where it was approved.

C. Expend 70% or more of total available staff hours on direct assurance, consulting, and advisory services.
- o We exceeded our goal of 70%, with 22 of 29 (76%) completed or in progress projects being either assurance, advisory, or value added.

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

A. Provide quarterly presentation to the MAC on risks, current and upcoming Internal Audit projects
   - CAE regularly spoke at the monthly MAC meetings covering upcoming projects, open audit recommendations and emerging risks.

B. Provide education to the Committee at least twice per year in relevant areas of their responsibilities
   - Staff presented on topics such as roles and responsibilities, ethics, risk management, culture, values, and financial statement review at the September 2024, March 2025, and April 2025 ACRE Meetings.

C. Create and enhance the strategy for establishing an Enterprise Risk Management (ERM) Program
   - CAE began development of ERM risk register and aligned assurance model.

D. Receive 80% or higher satisfaction score on IA Surveys from the Committee, Executive Office, and auditee
   - The ACRE Committee gave us an average score of 75%, and the Executive Office gave us 91%.

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

Goal #3 – Performance
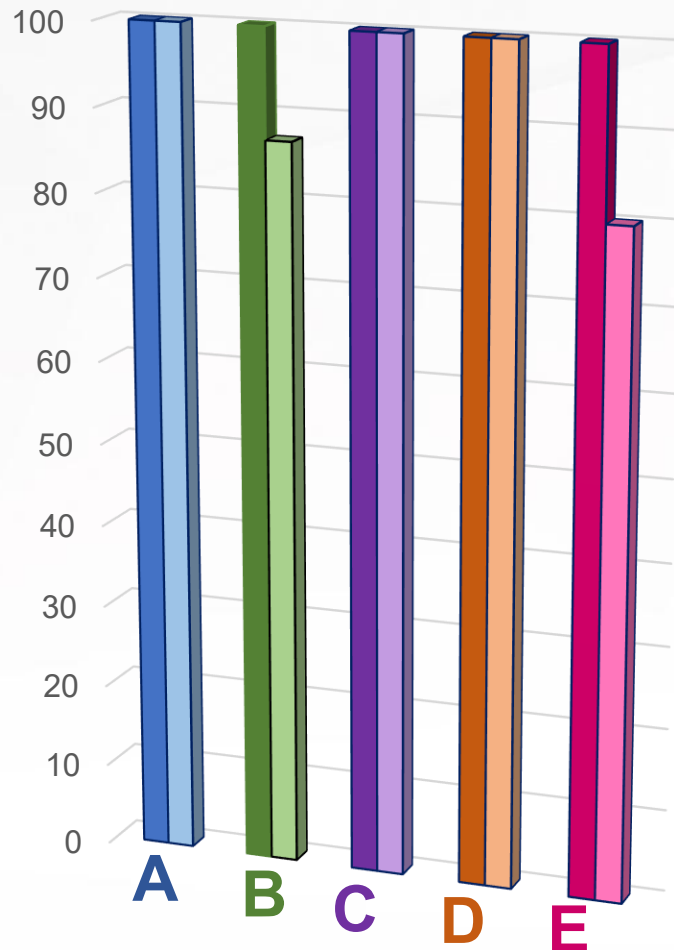
A. Establish Internal Audit 3-year roadmap
  - o Staff presented the roadmap to the Committee at your Apr-2025 meeting

B. Implement remaining 2022 External Quality Assessment recommendations
  - o Staff implemented 20 of the 23 open recommendations

C. Develop and complete a divisional training plan based on an assessment of Internal Audit's current competencies
  - o Staff created a divisional training plan, in alignment with The Institute of Internal Auditors Competency Framework

D. Conduct quarterly Quality Assessment Improvement Program meetings focusing on audit risks & best practice
  - o Meetings were held focusing on audit structure & procedures

E. Develop a formal Continuous Audit Process (CAP) Program.
  - o Staff have created a formal structure for performing CAP Engagement , and pending final management review

Thank you!

QUESTIONS?

L/h.CERA

August 4, 2025

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

          Audit Committee Consultant
             Larry Jensen

FROM: Steven P. Rice, SPR
          Chief Counsel

          Allison E. Barrett
          Senior Staff Counsel

FOR: August 21, 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]

Accordingly, the development and implementation of an Ethics and Compliance Program is an essential part of LACERA's 2023-2028 Strategic Plan. The objective is to build a Program to identify, prevent, detect, monitor, and respond to ethics and compliance risks; to advance a culture of ethics and compliance in alignment with LACERA's values; and to cultivate risk awareness and responsibility as a standard part of operations in every division and at every level of the organization.

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

---

[1] Cal. Const., Art. XVI, Sec. 17.

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 ACRE Committee and Boards for *regular reporting* about Program activities, ethics and compliance risks, and the controls in place to mitigate those risks.[4] The Committee receives regular reports on Program activities,[5] so it can 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]

The Ethics and Compliance Program Charter was adopted by the ACRE Committee and Boards in October 2024, along with the Program's Foundational Work Plan. A team of multi-divisional LACERA employees (including the Legal Office, Executive Office, Internal Audit, Human Resources) continue to implement the Program, perform foundational work, and report on ethics and compliance 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 details outlined further below.

WORK PLAN STATUS

PROGRAM ACTIVITY	UPDATES
Education Plan	• **July 2025**: The Ethics and Compliance Committee (ECC) introduced the "*Ethics and Compliance Message of the Month*" with the objective of enhancing education at its monthly meetings and regularly communicating ethics and compliance principles throughout the organization. The "Message of the Month" supports a multi-directional flow of communication on ethics and compliance issues between first line operations and the second line Ethics and Compliance function and advances LACERA's culture of ethics and compliance. • **August 2025**: ECC members (including Certified Compliance and Ethics Professionals from Legal and Human Resources) attended the SCCE seminar: "Compliance, Ethics, and Organizational Culture."

---

[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."

[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.

	• *December 2025*: Four additional members of the ECC (from Internal Audit, the Executive Office, Legal, and Disability Retirement Services) will attend the *Society of Corporate Compliance and Ethics* (SCCE) "Basic Compliance and Ethics Academy."
Policy Management	• *Ongoing*: First-line managers are expected to monitor divisional policies and procedures to determine when new policies are needed and to keep existing policies current according to their scheduled review cycles. The ECC, in consultation with the Executive Office, is developing processes to ensure that policies are reviewed on time. The Ethics and Compliance Policy Subcommittee (ECPS) meets every two weeks when division subject matter experts submit new policies or policies scheduled for review and updating. New or updated policies are then forwarded to the ECC for final review and posting on *Compass*—LACERA's Policy Library. The ECC continues to meet monthly. • *July – August 2025*: The following policies, procedures, charters were submitted for review and updating by the ECPS and ECC: *Policy for the Procurement of Good and Services; LACERA's Policy on Policies, Procedures and Charters; and the Ethics and Compliance Committee Charter*.
Ethics and Compliance Risk Assessments	• *June - August 2025*: As part of Internal Audit's regular annual risk assessment and the Ethics and Compliance Program's foundational assessment of ethics and compliance risks, Legal and Internal Audit jointly conducted follow-up interviews with each division manager regarding the 2025 Risk Assessment & Compliance Questionnaire responses. • *November 2025*: The "Aligned Assurance" team (Legal and Internal Audit) will present the ACRE Committee with findings and risk trends from the Risk Assessment & Compliance Questionnaires and interviews.
Ethics and Compliance Culture Survey	• *July 25, 2025*: The foundational culture survey (developed by the Executive Office, Legal, Internal Audit, and HR) was administered organization-wide by the Communications Division. The survey is organized around LACERA's Values and includes ethics and compliance related questions. • *August 25, 2025*: Survey responses due. • *September – October 2025*: Review survey responses at Brown Bag and conduct staff focus groups. • *November – December 2025*: Develop and finalize a culture action plan based on survey responses and focus group feedback.

	• *January 2026*: Culture survey responses, analysis, and action plan presented to ACRE Committee, followed by plan implementation. Follow-up surveys will be conducted on a regular basis thereafter.
Code of Ethical Conduct	• *December 2024 – July 2025*: Members of the Legal Division redrafted the Code and collaborated with Communications on redesign. • *July - October 2025*: The redrafted Code is under review and further revision by stakeholders, including: the Executive Office, the ECC, MAC, organization-wide focus groups, ethics and compliance consultants, and fiduciary counsel. • **November 2025**: A complete draft of the Code with Communications' design will be presented to the ACRE Committee for review and forwarding to the Boards for final approval and posting on *Compass*. • **January – March 2026**: Code orientation and education will be provided for Trustees and all LACERA staff members.
Chief and Deputy Ethics and Compliance Officer Classifications and Recruitment Planning	• *September 2025*: The class specifications for the CECO and DECO will be agendized for initial action at a Board of Supervisor's meeting in late September. The approval of the ordinance (including salaries) will be agendized on a separate Board of Supervisor's agenda at a later date, to be determined. • *October – Early 2026*: Human Resources will collaborate with the Executive Office and the Ethics and Compliance team on planning for the CECO recruitment and developing a recruiting strategy for presentation to the ACRE Committee in early 2026. A progress report will be provided at the November ACRE Committee meeting.

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 LACERA staff from all three lines which supports Program implementation and will serve as an advisory committee to the CECO) continue to undergo regular ethics and compliance education as required in the Ethics and

---

[8] DOJ-ECCP (2024), p. 2; 5-6.
[9] ACRE Committee Charter, Sec. VII.B7a.

Compliance Program Charter and to serve as subject matter experts in building the foundation for the Program.[10] On August 5, 2025, ECC members, including LACERA's Certified Compliance and Ethics Professionals (CCEP) attended a "Compliance, Ethics and Organizational Culture" seminar led by the Society of Corporate Compliance and Ethics (SCCE—the organization that administers the CCEP). Education on culture will be ongoing organization-wide and for the ECC, as culture is considered a primary organizational risk.

The ECC meets monthly to discuss ethics and compliance activities such as culture, education, risk assessment, and policy management. In July, the ECC introduced its in-house focused education and communication ("Ethics and Compliance Message of the Month"). At each monthly meeting, ECC members are provided with educational materials to share with their particular divisions to prompt discussion and obtain feedback. ECC members then report back to the committee the following month with lessons learned 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 is also intended to advance an organization-wide understanding, dialogue, and culture of ethics and compliance issues. The August message is "risk awareness," aligning with the completion of the organization-wide Annual Audit Planning Risk Assessment & Compliance Questionnaire and interviews.

In December, four additional members of the ECC (from Internal Audit, the Executive Office, Legal, and Disability Retirement Services) will attend the SCCE's Basic Compliance and Ethics Academy to obtain the requisite 20 continuing education units required to sit for the CCEP exam.

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.[11] 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.[12]

Front-line managers are responsible for continually monitoring divisional risk and controls to determine when new policies are required or existing policies require updating per regularly scheduled review or strategic, operational, or regulatory change. Accordingly, the Ethics and Compliance Policy Subcommittee meets twice each month as policies and

---

[10] Ethics and Compliance Program Charter, sec. V; VIII.B.
[11] 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."
[12] ACRE Committee Charter, sec. VII.B.5a-b.

procedures (whether new or scheduled for regular review) are submitted 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. (*The Ethics and Compliance Policy Subcommittee Process is included as Attachment A*; *LACERA's Policy, Procedure, and Charter Checklist is included as Attachment B*).

Since June 2025, the subcommittee has begun scheduled review of LACERA's *Policy on Policies, Procedures, Charters* and the *Ethics and Compliance Committee Charter*; the subcommittee also began discussion of possible revisions to the *Procurement of Goods and Services* policy to improve LACERA's contracting and vendor management process and organization-wide operations. Additionally, the *Fiduciary Counsel Policy* will be presented to the JOGC on August 11, 2025 for forwarding to the Board of Retirement and Board of Investments for final review, approval, and publishing on *Compass*.[13]

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]

In May, the Legal office collaborated with Internal Audit, developed, and facilitated the *2025 Annual Audit Planning Risk Assessment & Compliance Questionnaire*. The Questionnaire included approximately 12 baseline ethics and compliance specific questions. From June through August, Legal and Internal Audit conducted interviews and discussions with every division manager regarding their questionnaire responses, risks particular to their division (as well as LACERA as a whole), ethics, compliance, and cultural issues and concerns, and the controls in place (or required) to mitigate any identified divisional and organization-wide risks. The objective of this joint risk assessment effort provides "aligned assurance" to bridge control gaps, combine resources, limit management assessment fatigue, and move towards a mature risk management process integrating all three lines. Findings and analysis from this year's aligned risk assessment will be presented during the November ACRE Committee

---

[13] This presentation by the Legal Division at the August JOGC meeting will also include an updated Request for Proposal (RFP) process for Fiduciary Counsel, which is conducted every five years.
[14] 18 USCS Appx. sec. 8B2.1(c).
[15] ACRE Committee Charter, sec. VII.B.3a-b.

meeting.

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 developed a survey to obtain a baseline measurement of LACERA's current culture, which was issued on *July 25th*, with an *August 25th* deadline for completion.[18] The launch of the survey was shared and communicated with all staff via email from the executive office as well as posted on LACERA Connect.

The initial survey is structured around LACERA's I ACT Values (*integrity, inclusivity, innovation, accountability, collaboration, transparency*), which represent how we expect all LACERA employees to act and shape our culture. Ethics and compliance questions in the survey inherently fall under integrity, accountability, and transparency—Values which guide our employees to "do the right thing," no matter the circumstances in making decisions and performing their day-to-day operations. A culture guided by Values, ethics, and compliance promotes risk awareness and motivates employees to bring their best to work every day.

From *September – October*, survey responses will be analyzed and reviewed with all LACERA employees who will have the opportunity to provide feedback and insight by participating in focus groups. A culture action plan based on survey responses and focus group discussions will be developed from *November – December*; all of which, will serve as an integral part of the management offsite meeting in December. Culture survey responses and the action plan will be presented to the ACRE Committee in the beginning of 2026, after which, the plan will be implemented.

Surveys will be conducted periodically (biennially after implementation of the baseline culture action plan) in an ongoing deliberate approach to measure growth as change is implemented.

Code of Ethical Conduct

An effective Ethics and Compliance Program establishes standards to identify, prevent, mitigate, detect, and respond to misconduct. Those standards begin with the Code of Ethical Conduct. LACERA's Code states our fiduciary duty, mission, vision, values;

---

[16] 18 USCS Appx. sec. 8B2.1(a)(2).
[17] ACRE Committee Charter, sec. VII.B.11.
[18] Before issuance, the culture survey was reviewed by IDEA (LACERA's DEI committee), the ECC, and ethics and compliance consultants, Gartner and Rebecca Walker.

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 undergone rewriting and redesigning to ensure it is clear, concise, and accessible for every division and function of the organization. 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. The updated Code is organized around LACERA's I ACT Values.

The revised Code is currently under a comprehensive review by stakeholders, including: the Executive Office, the ECC, the Management Action Committee (MAC), organization-wide focus groups, fiduciary counsel, and ethics and compliance consultants. There has been an elevated level of engagement, input, and discussion regarding the revised Code which has brought forth insights and comments that are relevant in completing the revision. Once the content is set, Communications will finalize the design work. In November 2025, the Code will be presented to the ACRE Committee for review and forwarding to the Boards for final review and posting on *Compass*. Code orientation for Trustees and all LACERA employees will follow.

Ethics and Compliance Classifications and Recruitment Planning

An effective Ethics and Compliance Program requires designated individuals responsible for the day-to-day operation of the Program.[19] 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.[20] Under the ACRE Charter, the Committee provides input on and approval of the CECO's appointment, termination, and discipline by the CEO; and approves and makes recommendations to the Boards for additional staffing for the Ethics and Compliance Office upon the request of the CECO and CEO.[21]

The Class Specifications for the CECO and DECO are expected to be agendized for initial action at a Board of Supervisors meeting in late September. The approval of the ordinance, including salaries, will be separately agendized at a later date to be determined. The County CEO has indicated they have no objection to the class specifications or salaries.

As a result, staff, including the Executive Office, Human Resources, and the Ethics and Compliance team, will begin development of a recruiting plan for the CECO, with options to be presented to the ACRE Committee and Boards in early 2026. Staff will also provide

---

[19] 18 USCS Appx. sec. 8B2.1(b)(2)(C).

[20] Ethics and Compliance Program Charter, sec. III.

[21] 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.

an update to the ACRE Committee at its November 2025 meeting. The plan will consider the timing of the recruitment given other senior recruiting priorities so as not to overburden the Committee and Boards and allow for the most effective process to select LACERA's CECO. Pending completion of the recruitment, the Ethics and Compliance team will continue to pursue foundational activities to set the stage for the CECO.

Additional Ethics and Compliance Office positions will be filled after the CECO's selection based on the CECO's needs assessment and following consultation with the CEO, ACRE Committee, and Boards.

CONCLUSION

LACERA's Ethics and Compliance Program Foundational Work Plan activities continue to be implemented daily in preparation for the arrival of the Chief Ethics and Compliance Officer and the formal establishment of LACERA's Ethics and Compliance Office. The Program is designed to identify, 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 engaged 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 until the CECO is hired.

Attachments

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

Ethics & Compliance Policy Subcommittee (ECPS) Process*

PPC Author/s Proposal

• PPC Author/s presents PPC proposal, PPC Development Checklist, and other specifications for ECS review (*e.g., purpose, new, updated, or merged policy, stakeholders involved, and any related documents*). Before completing the proposal and checklist, the Author should conduct a thorough analysis of the business purpose and objectives, researched best practices, conferred with stakeholders, and outlined the intended approach.

Submit to Subcommittee

Subcommittee reviews and provides feedback to the PPC Authors. Once finalized, the PPC draft will be provided to ECC.

01

03

02

04

PPC Author/s Draft/Stakeholder Input

PPC Author/s draft PPC and submit it to the stakeholders for final review. Once reviewed and finalized by the stakeholders, the PPC "best final draft" will be sent to ECC.

ECC Final Review

PPC is agendized for ECC final review. After ECC approval, the PPC may be brought to the Board or Board Committee for action.

01 PPC Author/s Proposal

Before completing the proposal and checklist, the Author should conduct a thorough analysis of the business purpose and objectives, researched best practices, conferred with stakeholders, and outlined the intended approach.

- PPC Author submits the PPC Development Checklist to ECC@lacera.com
- ECPS agendizes for discussion with Author/s at the next scheduled ECPS meeting
- PPC Author/s presents PPC proposal and other specifications for ECPS review (*e.g., purpose, new, updated, or merged policy, stakeholders involved, and any related documents*).
- ECPS provides direction to the Author/s

*This process describes the elements of successful policy development and the steps that need to be taken, but the process does not prescribe a timetable. For example, steps 1 and 2 can be combined; a policy can also be attached to the PPC proposal if the necessary work described in Steps 1, 2, and 3 have been completed. The process is intended to make policy development more efficient.

## 02   **PPC Author/s Draft/Stakeholder Input**

- PPC Author/s draft PPC
- PPC Author/s submit the PPC to the SMEs and stakeholders for final review
- Once reviewed and finalized, the SMEs and stakeholders will sign the Development Checklist

*This process describes the elements of successful policy development and the steps that need to be taken, but the process does not prescribe a timetable. For example, steps 1 and 2 can be combined; a policy can also be attached to the PPC proposal if the necessary work described in Steps 1, 2, and 3 have been completed. The process is intended to make policy development more efficient.

03   **Submit to Subcommittee**
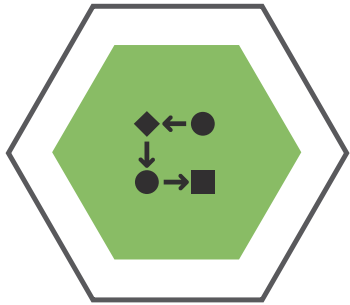
- The PPC "best final draft" and signed PPC Development Checklist will be sent to ECC@lacera.com
- ECPS Review Timeline = 5 Business Days

Discussion will be agendized for the next ECPS meeting and agendized for future meetings as needed.

*This process describes the elements of successful policy development and the steps that need to be taken, but the process does not prescribe a timetable. For example, steps 1 and 2 can be combined; a policy can also be attached to the PPC proposal if the necessary work described in Steps 1, 2, and 3 have been completed. The process is intended to make policy development more efficient.

04   ECC Final Review

- Subcommittee reviews and provides feedback to the PPC Authors.
- Once finalized, the PPC draft will be agendized for final review by the ECC.

Internal documents will be posted to Compass Policy Library. Policies and Charters that need Board approval will be agendized for Board/Committee discussion.

*This process describes the elements of successful policy development and the steps that need to be taken, but the process does not prescribe a timetable. For example, steps 1 and 2 can be combined; a policy can also be attached to the PPC proposal if the necessary work described in Steps 1, 2, and 3 have been completed. The process is intended to make policy development more efficient.

LACERA
Los Angeles County Employees Retirement Association

POLICY, PROCEDURE, CHARTER (PPC) DEVELOPMENT CHECKLIST

This checklist is designed to ensure consistency, compliance, and clarity in LACERA's policy management process. By providing the following information, we can reduce the risk of missing critical PPC elements, uphold legal and organizational standards, and maintain accountability across teams. This checklist will improve efficiency and promote clear, consistent communication of PPC throughout the organization. *Please note that Knowledge Base (KBase), Business Rules (BRUS), and Operating Instructions (OI) are not included in this process.* Please refer to the Compass | Policy Management Handbook for additional information as it includes information about when a policy/procedure/charter (PPC) is needed, research and stakeholder collaboration.

A. PPC BACKGROUND AND INFORMATION

Date:

PPC Title:

Document Author/s:

Document Type: Select

Category: Select

Original PPC Issue Date:

Review Cycle Expiration:

Responsible Division: Select

Audience: ☐ Employees ☐ Members ☐ Trustees

Subcategory: Select

B. PPC JUSTIFICATION

Proposed PPC Plan: Select

What is the purpose of the proposed PPC? What strategic objective, issue, or risk within the organization will it address? *Briefly summarize: 2-3 sentences.*

Why is a new PPC on this issue needed, or why are revisions to the existing PPC needed? *Explain why the issue cannot be resolved through other means (i.e., education, training, improved communications, informational materials, a memorandum, procedures, etc.) 1 – 2 sentences.*

Will this policy effect or impact other authorities or existing policies (i.e., County Code, Civil Service, Union)?

C. PPC DEVELOPMENT PLAN

Is there a date the PPC must be enacted by?

What research has been completed or will be done on best practices or similar policies?
Provide links to 2-4 similar policies or procedures, if appropriate, or briefly summarize findings.

What operational steps may be needed before and/or after the PPC can be put in place (i.e., written procedures, Board approval, County ordinance, org-wide education and training, attestations, etc.)? If additional operational steps are needed, they should be finalized before the final review by the ECC.

Are there other related documents located in Compass that will be updated as well?
(Provide the Compass link/s for any forms/documents, so that the document Status can be updated to Under Review.

Document Name/Title	Compass Link

D. STAKEHOLDERS

Identify the subject matter experts (SMEs) and stakeholders on this PPC issue, including the division's overseeing Executive Officer*.

Stakeholder Names			
Name	Signature	Name	Signature

-*Signatures are required once SMEs and stakeholders have reviewed the draft PPC. Please have them sign this form prior to submitting to ECC for PPC review and processing.*

ETHICS AND COMPLIANCE POLICY SUBCOMMITTEE (ECPS) SECTION ONLY

Date Received: Date Agendized for Initial Discussion:

ECPS Determination: Select

ECC Approved Date: Compass Updated:

ETHICS AND COMPLIANCE PROGRAM

Foundational Work Plan Status Report

- **Education and Communication**

- **Policy Management**

- **Ethics and Compliance Risk Assessment**

- **Ethics and Compliance Culture Survey**

- **Code of Ethical Conduct**

- **Ethics and Compliance Office Personnel**

EDUCATION AND COMMUNICATION

OBJECTIVE: *An effective Program has appropriately tailored communications and training to integrate ethics and compliance into LACERA's day-to-day operations and cultivate a culture of ethics and compliance.*

ACTIVITIES:

➢ *Ethics and Compliance Committee (ECC) >>>* Program Ambassadors:

❖ *Attend educational conferences* on the elements of "effective" ethics and compliance programs (*Society of Corporate Compliance and Ethics* which administers CCEP certification--*Certified Compliance and Ethics Professional*).

❖ *Facilitate "Message of the Month"* – Multi-directional communication between first and second lines to promote organizational risk awareness and a culture of Ethics and Compliance.

Ethics & Compliance

OBJECTIVE: *An effective Ethics and Compliance Program has established standards of conduct such as policies and procedures reasonably capable of reducing the likelihood of misconduct.*

ACTIVITIES:

➢ Front-line managers monitor divisional risk and controls to determine when new policies are required or existing policies warrant updating.

➢ Ethics and Compliance Policy Subcommittee (ECPS) meets bi-weekly when polices are submitted; reviewing for clarity and effective risk mitigation.

➢ The ECC meets monthly for final review, approval, and publishing on *Compass*—LACERA's in-house policy management solution.

OBJECTIVE: *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*

ACTIVITIES:

➤ Legal and Internal Audit ("Aligned Assurance") developed and facilitated the *2025 Annual Audit Planning Risk Assessment & Compliance Questionnaire*. (*May 2025*).

➤ The Aligned Assurance Team interviewed each division manager regarding responses. (*June-August 2025*).

➤ Findings and analysis of risk trends will be presented to the ACRE Committee in a comprehensive report. (*November 2025*).

5

Ethics & Compliance

OBJECTIVE: *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.*

ACTIVITIES:
➢ Executive Office, Legal, Internal Audit, and HR developed a culture survey, issued organization wide on *July 25, 2025*. Responses are due *August 25, 2025*.

➢ Survey responses will be analyzed and shared with entire LACERA team and discussed in focus groups (*September – October 2025*).

➢ Develop and finalize a culture action plan based on survey responses and focus group feedback. (*November – December 2025*).

➢ Present culture survey results, analysis, and action plan to the ACRE Committee, followed by plan implementation. (*January 2026*).

Ethics & Compliance

CODE OF ETHICAL CONDUCT

OBJECTIVE: *An effective Ethics and Compliance Program establishes standards to prevent, mitigate, detect, and respond to misconduct. Those standards begin with the Code of Ethical Conduct.*

ACTIVITIES:

➢ Rewriting and redesigning Code to ensure it is clear, concise, easily understood, and accessible for every division and function of the organization (*December 2024 – July 2025*).

➢ The revised Code content is under comprehensive review and revision by the executive office, ECC, management, organization-wide focus groups, ethics and compliance consultants, and fiduciary counsel (*July – October 2025*).

➢ Review by ACRE Committee, Boards (*November - December 2025*).

➢ Posted on *Compass*--LACERA's Policy Library (*December 2025*).

➢ Trustees and all LACERA employees will undergo Code orientation and training (*2026*).

Ethics & Compliance

OBJECTIVE: *An effective Ethics and Compliance Program requires designated individuals responsible for the day-to-day operation of the Program.*

ACTIVITIES:

➢ Chief Ethics and Compliance Officer (CECO) and Deputy Ethics and Compliance Officer (DECO) Class Specifications will be agendized for initial action at Board of Supervisor's meeting (*September 2025*).

➢ Approval of ordinance including salaries will be agendized by the Board of Supervisors at a later date, to be determined.

➢ Executive Office, Human Resources, and Ethics and Compliance team will develop a CECO recruiting plan for ACRE and Board approval (*November 2025 to Early 2026*).

➢ Other Ethics and Compliance Office positions will be filled at the direction of the CECO in consultation with the CEO, ACRE, and Boards.

8

**Legal Division
Ethics and Compliance**

abarrett@lacera.gov

626-685-4688

?

QUESTIONS?

LACERA

August 1, 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: August 21, 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 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.

ETHICS HOTLINE CASE REPORTING AND MONITORING

As of this reporting date, there are two open cases as reported below. Additional details relating to hotline cases are included in Appendix A.

Case	Report Month	Ethics Issue Category	Assign To	Status	Closed	Control Deficiencies
23	April 2025	Acts of Omissions in Conflict with LACERA's Values	IA	Investigation In Progress		
24	July 2025	Workplace Violence	LACERA Workplace Violence Prevention Program	Investigation In Progress		

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. Refer to Appendix B for an overview of the Ethics Hotline Process. Staff will be available to present an overview of the process and address questions at the August 2025 Meeting.

UPCOMING ENHANCEMENTS TO ETHICS HOTLINE PROCESS
Internal Audit continuously reviews the Ethics Hotline reporting process to ensure efficiency and effectiveness of the program. As such, in the upcoming months, staff are planning the following:

- Evaluate the Ethics Hotline notification protocol and best practices to identify the appropriate lines of communicating cases to ACRE
- Update Ethics Hotline workflow:
    o Add additional levels of Hotline Administrators as points of contact
    o Review and revise Ethics Hotline Categories
    o Evaluate use of Navex Anonymous Email Notification System
- Update Ethics Hotline guidelines and procedures

Attachments:
    A. Hotline Cases Dashboard
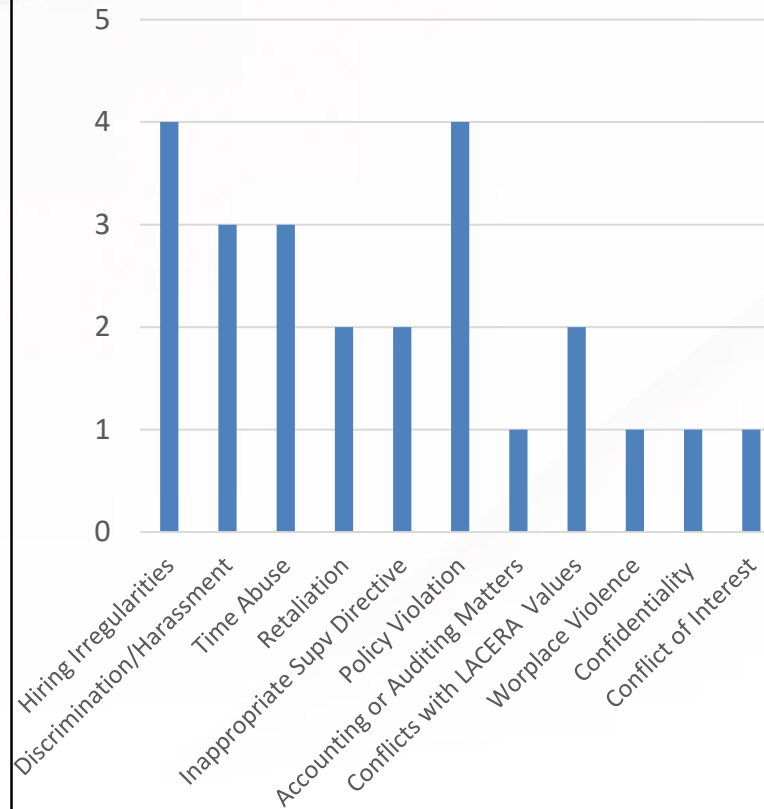   B. Ethics Hotline Case Process

Hotline Cases Dashboard
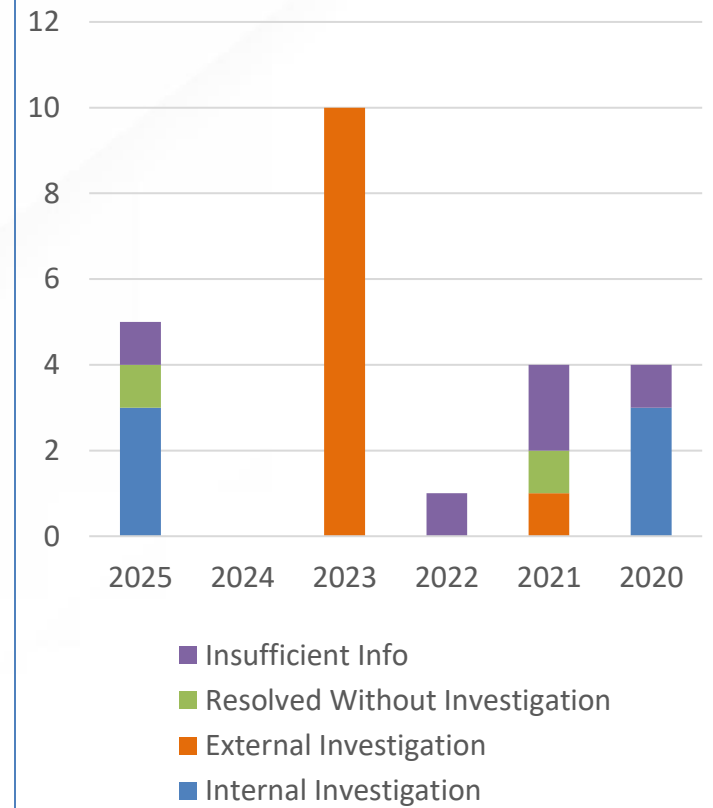

2025 Cases
As of 7/31/25
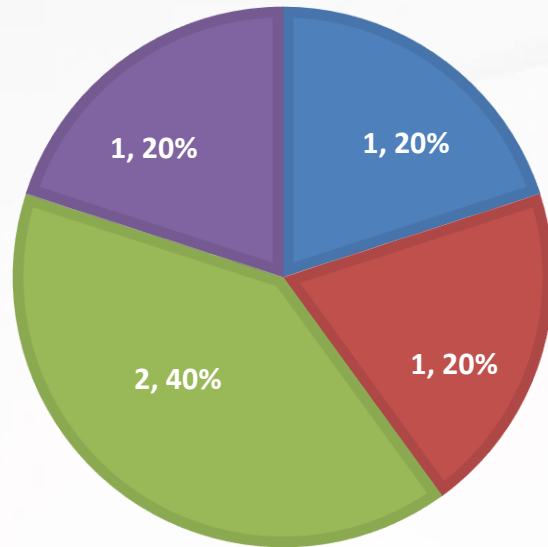
Legend (pie chart):
- Policy Violation
- Inadequate Policies or Procedures
- Conflicts with LACERA Values
- Workplace Violence

Cases Reported
2020-2025

Categories: Hiring Irregularities, Discrimination/Harassment, Time Abuse, Retaliation, Inappropriate Supv Directive, Policy Violation, Accounting or Auditing Matters, Conflicts with LACERA Values, Worplace Violence, Confidentiality, Conflict of Interest
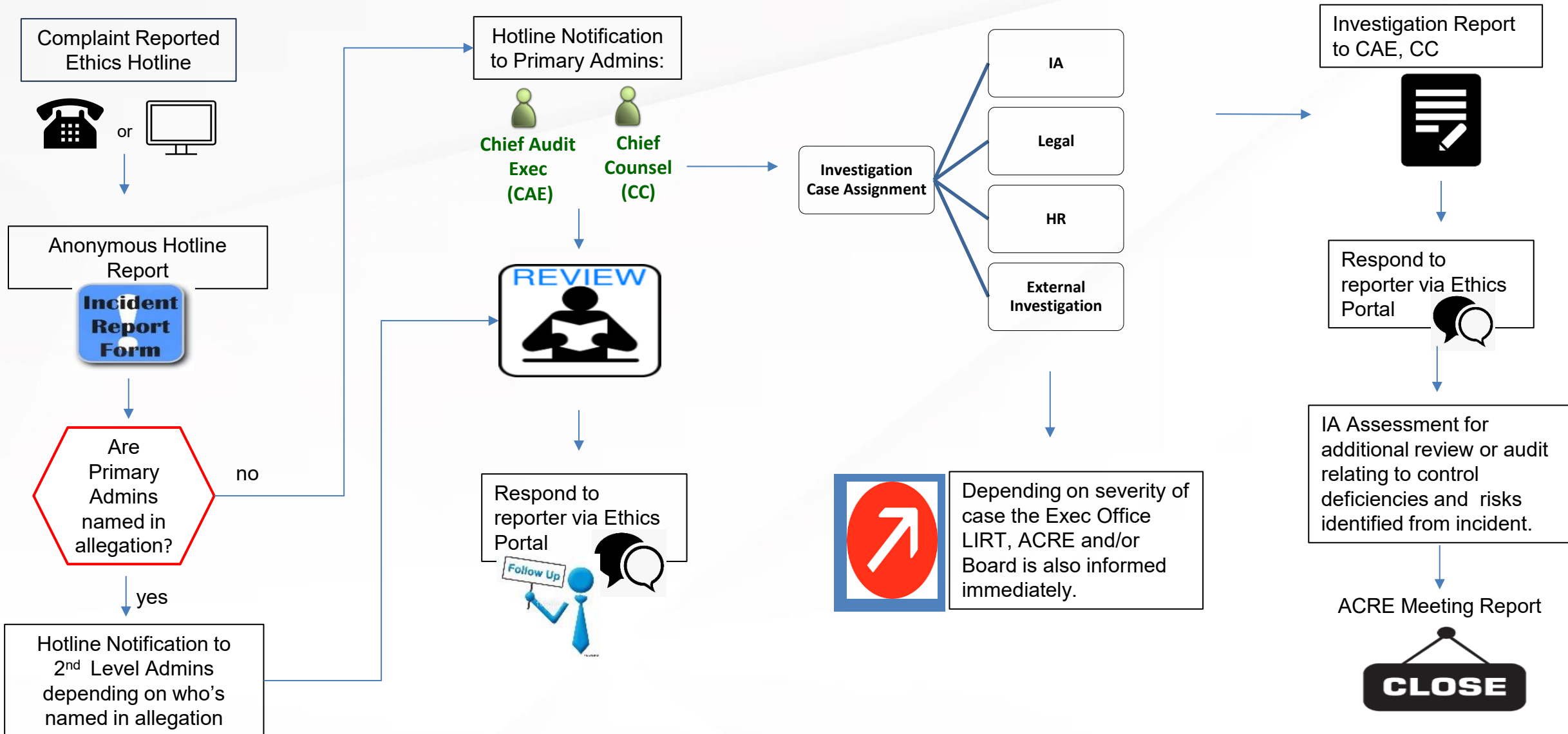
Investigations
2020 -2025

Legend (bar chart):
- Insufficient Info
- Resolved Without Investigation
- External Investigation
- Internal Investigation

Ethics Hotline Case Process

Complaint Reported Ethics Hotline

or

Anonymous Hotline Report

Incident Report Form

Are Primary Admins named in allegation?

no

yes

Hotline Notification to 2nd Level Admins depending on who's named in allegation

Hotline Notification to Primary Admins:

Chief Audit Exec (CAE)

Chief Counsel (CC)

REVIEW

Respond to reporter via Ethics Portal

Follow Up

Investigation Case Assignment

IA

Legal

HR

External Investigation

Depending on severity of case the Exec Office LIRT, ACRE and/or Board is also informed immediately.

Investigation Report to CAE, CC

Respond to reporter via Ethics Portal

IA Assessment for additional review or audit relating to control deficiencies and risks identified from incident.

ACRE Meeting Report

CLOSE

LACERA

July 31, 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: August 21, 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 Global Institute of Internal Auditors (IIA) Standard 15.2 requires internal auditors to 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. Due to the extended timeframes required for implementation, the status of strategic recommendations is reviewed and updated on an annual basis.

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, five audit recommendations have been implemented (closed). There are 8 outstanding audit recommendations. The following dashboard summarizes the status of closed and pending audit recommendations. Refer to Attachment A for details.

Recommendations In Progress as of 6/1/25	Newly added Recommendations	Closed Recommendations Auditor Verified	Recommendations In Progress as of 8/1/25
13	0	-5*	8

Audit Report	Implemented Recommendations	Risk
Termination of User Access Process	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.	High
Termination of User Access Process	HR establish criteria for the frequency of updates to the off-boarding procedures and training to key stakeholders.	High
Termination of User Access Process	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.	High
Termination of User Access Process	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.	High
LA County Rehired Retirees FYE 2024	1. LACERA's Executive Office and Legal Office continue their discussions with the County regarding limited duration and whether policy provisions or practices can be added or strengthened to explicitly address the statutory requirement of limited duration. 2. LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined "bright-line" definition, tracking, and annual review of limited duration for County retirees, in addition to the current policy for LACERA employees, to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law. *Note: Based on discussion with the Legal Division and Internal Audit, it was determined that Limited Duration has been thoroughly presented and discussed with the ACRE, BOR, and OOC, committees. Management accepts the risks to close the recommendation*	High

* For one closed recommendation, Management has accepted the risk

Recommendations by Risk Rating

Aging of Recommendations
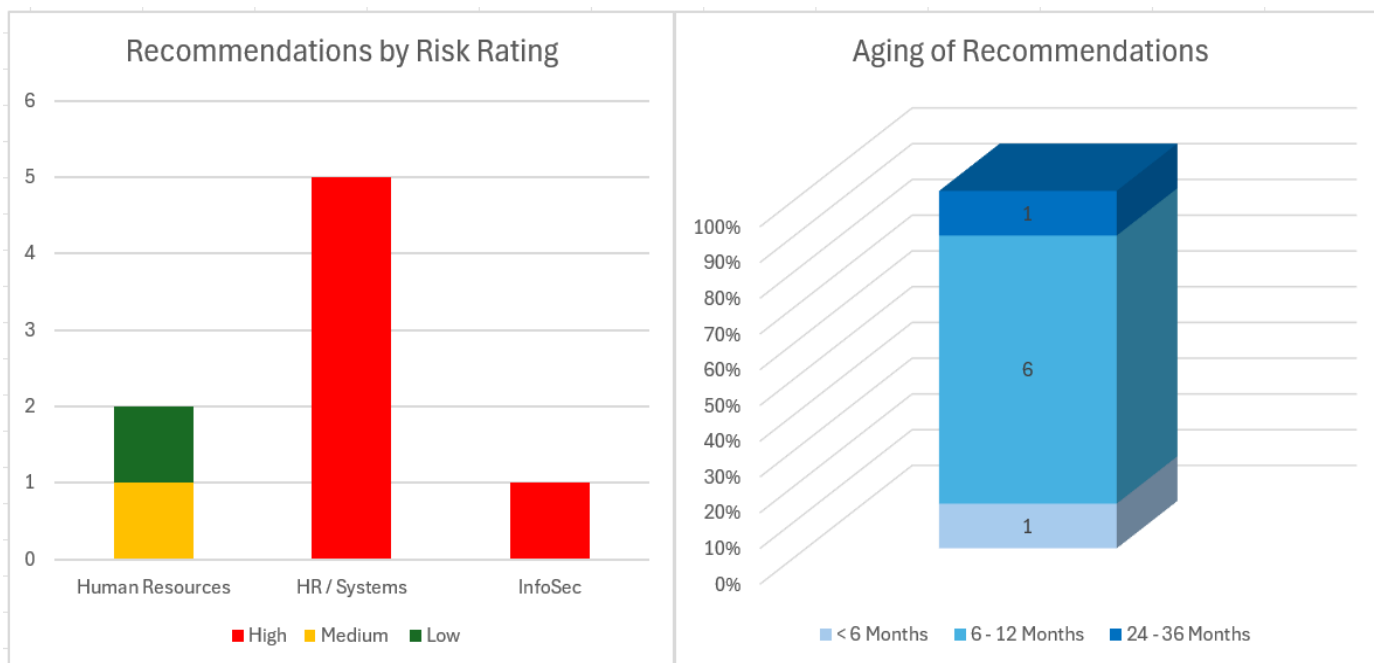
Staff from the respective divisions will be present at the August 2025 ACRE Meeting to address any questions.

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	
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	The revised policy has not been approved by the ECC yet. The estimated time frame is to bring the policy to the subcommittee in July and to the full ECC after that. Training (at MAC and SAC) will be completed by September 30, 2025.	3/31/2025	9/30/2025	☐	☐	☐	☐	☐	330
HR - Advisory Review of HR Recruiting Process - REPORT DATE 04/7/2025													
F1	HR Divisional Needs Assessment Note: This finding replaces Finding F2.3 from the 2022 HR Recruiting & Hiring Report	Low	HR should perform a needs assessment to determine whether additional resources are needed by performing the following activities: i.) an evaluation of the competencies of the team; ii.) performing a skills and capabilities assessment; iii.) identifying areas of strengths and professional development needs; iv.) an analysis of the division's tasks performed; and v.) the associated time requirements.	In Progress	HR management has developed the scope of work for the divisional needs assessment. Currently, HR is working with the Vendor Management Unit to identify vendors that can perform the work through the Request for Statement of Qualifications (RFSQ) process. The RFSQ solicitation will simplify the procurement process for potential providers.	6/30/2026		☐	☐	☐	☐	☐	115
HR/Systems/Brd Asst -Termination of User Access Process - REPORT DATE 08/30/2024													
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.	Closed	HR revised and updated the Off-Boarding procedures, forms and Instructions as recommended.	12/31/2024	12/31/2024	☐	☐	☐	☐	☐	335
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.	Closed	HR revised and updated the Off-Boarding procedures, forms and Instructions as recommended and provided training to Stakeholders.	12/31/2024	6/30/2025	☐	☐	☐	☐	☐	335
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.	Closed	HR revised and updated the Off-Boarding procedures, forms and Instructions as recommended and provided training to Stakeholders.	12/31/2024	6/30/2025	☐	☐	☐	☐	☐	335
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.	Closed	Checklists have been incorporated into Off-Boarding process to manage collection of devices and removal of access privileges.	12/31/2024	6/30/2025	☐	☐	☐	☐	☐	335
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	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	12/31/2024	☐	☐	☐	☐	☐	335
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	12/31/2024	☐	☐	☐	☐	☐	335

RECOMMENDATION STATUS REPORT - ORGANIZATIONAL

Reco Ref	Finding	Risk	Recommendation	Status	Summary of Progress	Initial Target Date	New Target Date	Extensions 1	2	3	4	5	Days Outstanding Since Audit Report Date
HR/Systems/Brd Asst -Termination of User Access Process - REPORT DATE 08/30/2024														
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	☐	☐	☐	☐	☐	335
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	☐	☐	☐	☐	☐	335
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	☐	☐	☐	☐	☐	335
InfoSec - Board Vantage Security Settings - REPORT DATE 10/21/2022														
F1	Audit trails were deficient or non existent.	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	☐	☐	☐	☐	☐	1014
**Legal - 2025 01	LA County Rehired Retirees Audit for FYE June 30, 2024 - REPORT DATE 11/15/2024**														
F1	Continued Violation of PEPRA's "limited duration" language.	High	We restate our recommendation from our previous audit reports of November 4, 2022 (FYE 2021 report), April 28, 2023 (FYE 2022 report), and November 14, 2023 (FYE 2023 report), that, 1. LACERA's Executive Office and Legal Office continue their discussions with the County regarding limited duration and whether policy provisions or practices can be added or strengthened to explicitly address the statutory requirement of limited duration. 2. LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined "bright-line" definition, tracking, and annual review of limited duration for County retirees, in addition to the current policy for LACERA employees, to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law.	Closed	Management Accepts the Risk - Based on discussion with the Legal Division and Internal Audit, it was determined that Limited Duration has been thoroughly presented and discussed with the ACRE, BOR, and OOC, committees. Both committees had provided strong direction to the CEO to manage this issue in a manner appropriate with trustees' comments. Legal and Internal Audit will discuss ideas for enhancing Internal Audit's annual County program audit to continue to be an influential force in leading the County to improve its compliance with the limited duration requirement of PEPRA.	6/30/2025		☐	☐	☐	☐	☐	258

RECOMMENDATION STATUS REPORT - STRATEGIC

Project Name	Report Date	Finding Title	Recommendation	Status
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, 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.	This recommendation will be addressed when Board charters are reviewed.
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. Managment is in the process of creating data lakes to use Power Bi to update KPIs for Member Operations Groups.
COSO: Risk Assessment				
Organizational Governance Review	7/20/2022	OBS 9 - LACERA does not have a formal enterprise risk management and compliance program	LACERA should implement a formal enterprise risk management and compliance program for the organization that includes identification of risks and how to address those risks.The risk information should be used by the organization to make decisions.	During FY 2023-2024, Management made significant strides in formalizing LACERA's Compliance Program, including developing a program charter and revising the Audit Committee's charter. Enterprise Risk Management to be focused on during FY 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.

LACERA

July 31, 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: August 21, 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. states that the Committee monitors Internal Audit's recommendations to ensure Management has adequately and timely addressed the identified risks. The purpose of this memorandum is to update the Committee on the status of recommendations related to system and network security audits and assessments. In addition, this report provides a summary of work performed and recommendations closed to keep the Committee informed.

As indicated in Table 1, three recommendations have been closed since our last report in June 2025.

Table 1: Current Recommendation Status as of 8/1/25:

Audit Report	Auditor	Rating	Recos as of 6/1/2025	New Reco	Recos Closed 7/31/2025	Total
Pen and Social Engineering - April 2022	Moss Adams	Med	1		-1	0
Pen Test and VeraCode Report - Mar 2020	Clear Skies	Med	2		-1	1
Pen Test and VeraCode Report - Mar 2020	Clear Skies	Low	1			1
FYE 2024 SOC - June 2024	Moss Adams	High	1		-1	0
TOTAL			**5**	**0**	**-3**	**2**

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. Table 2 provides an outline of the types and statuses of recommendations reported to the Committee.

Table 2: Recommendations Status – By IT General Control Areas

ITGC	Control Description	Open Recos 7/31/25
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 are 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.	1
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 are 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		**2**

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 August 2025 ACRE Committee Meeting, but please remember that due to the sensitive nature of these IT recommendations we cannot provide additional details.

LA CERA

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**