# IN PERSON & VIRTUAL BOARD MEETING

**AUGUST 19, 2026 AT 9:00 AM**

**AUDIT, COMPLIANCE, RISK, AND ETHICS COMMITTEE MEETING**

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**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., WEDNESDAY, AUGUST 19, 2026

*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 54953.8.3.*

*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
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (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 SB707

A. Just Cause (Section 54953.8.3)
B. Statement of Persons Present at SB707 Teleconference Locations

IV. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Meeting of June 24, 2026

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 by selecting whether you will provide oral or written comment from the options located under Options next to the Committee meeting.

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

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

VI. NON-CONSENT ITEMS

A. **Salary Placement for Chief Ethics and Compliance Officer, LACERA**

Recommendation as submitted by Carly Ntoya, Ph.D., Director of Human Resources: That the ACRE Committee, on the recommendation of the Chief Executive Officer, approve the salary placement for the Chief Ethics and Compliance Officer (CECO), LACERA at a starting base salary of $17,625.80 per month ($211,509.60 annually) or Step 16 of the Chief Ethics and Compliance Officer, LACERA MAPP Tier II LS 12 salary range. (Memo dated August 11, 2026)

VI. NON-CONSENT ITEMS (Continued)

B. **Internal Audit Fiscal Year Ended (FYE) 2026-2027 Proposed Audit Plan**
Recommendation as submitted by Leisha E. Collins, Chief Audit Executive: That the ACRE Committee review and approve the Proposed Internal Audit FYE 2026-2027 Audit Plan.
(Presentation) (Memo dated August 12, 2026)

C. **ACRE Consultant Agreement Extension**
Recommend as submitted by Kristina Sun, Senior Internal Auditor: That the ACRE Committee approve an extension of the ACRE Committee Consultant Agreement for an additional two one-year period and authorize staff to execute the contract extension with Audit & Risk Management Services, LLC. (Memo dated August 6, 2026).

D. **Recommendation for Appointment of External Quality Assessment Vendor**
Recommendation as submitted by Alex Ochoa, Internal Auditor: That the ACRE Committee approve the appointment and compensation of IIA Quality Services, LLC and authorize staff to finalize contract negotiations and proceed with the External Quality Assessment (EQA) of LACERA's Internal Audit Division.

(Presentation) (Memo dated August 11, 2026)

VII. REPORTS

A. **Ethics and Compliance Program Foundational Work Plan Status Report**
Steven P. Rice, Chief Counsel
Allison E. Barrett, Senior Staff Counsel
(Presentation) (Memo dated August 6, 2026)

B. **Internal Audit Annual Performance Report – Fiscal Year Ended 2026**
Nathan A. Amick, Senior Internal Auditor
(Presentation) (Memo dated August 11, 2026)

C. **Continuous Auditing Program (CAP) – Fiscal Year 2026 Testing Summary**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated June 30, 2026)

VII. REPORTS (Continue)

D. **Centralized Vendor Management Advisory Engagement - Phased Engagement Approach and Completion of Phase 1**
Christian Velasco, Senior Internal Auditor
(For Information Only) (Memo dated August 7, 2026)

E. **Information Technology Coordinating Council (ITCC) Project Prioritization Advisory Engagement Report**
Alex Ochoa, Senior Internal Auditor
(For Information Only) (Memo dated August 11, 2026)

F. **Member Appointment System Audit - Phased Engagement Approach and Completion of Phase 1**
Delfino Aguilar, Senior Internal Auditor
Alex Ochoa, Internal Auditor
(For Information Only) (Memo dated August 11, 2026)

G. **Recommendation Follow-Up Report – Operational**
Delfino Aguilar, Senior Internal Auditor
(For Information Only) (Memo dated August 12, 2026)

H. **Annual Recommendation Follow-Up Report - Strategic**
Delfino Aguilar, Senior Internal Auditor
(For Information Only) (Memo dated August 12, 2026)

I. **Recommendation Follow-Up - Sensitive Information Technology Areas**
Delfino Aguilar, Senior Internal Auditor
(For Information Only) (Memo dated August 12, 2026)

J. **Observation Follow-Up Report - Advisory Engagements**
Delfino Aguilar, Senior Internal Auditor
(For Information Only) (Memo dated August 7, 2026)

K. **Ethics Hotline Status Report**
Leisha E. Collins, Chief Audit Executive
(For Information Only) (Memo dated August 11, 2026)

L. **Internal Audit Staffing Activity Report Update**
Leisha E. Collins, Chief Audit Executive
(Verbal Update)

VII. REPORTS (Continue)

M. **Status of Other External Audits Not Conducted at the Discretion of Internal Audit**
Leisha E. Collins, 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
(For ACRE Committee Members Only Pursuant to ACRE Committee Charter, Section VII B 1 a and Ethics and Compliance Program Charter, Section III to Consider a Recommendation to the Board of Retirement and Board of Investments)

A. PUBLIC EMPLOYEE APPOINTMENT
(Pursuant to California Government Code Section 54957)

**Title: Chief Ethics and Compliance Officer, LACERA**

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,* Board Meetings | LACERA.**

***Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000 from 8:00 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.gov, 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., WEDNESDAY, JUNE 24, 2026

*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 54953.8.3.*

COMMITTEE TRUSTEES:

PRESENT: Debbie Martin (BOI), Chair

Nicole Mi (BOI), Vice Chair (Teleconference under Section 54953(b))

Aleen Langton (BOR), Secretary

Bobbie Fesler (BOR), Trustee

Elizabeth Ginsberg, Ex-Officio

ABSENT: Trevor Fay (BOI), Trustee

Shawn R. Kehoe (BOR), Trustee

STAFF, ADVISORS AND PARTICIPANTS:

Luis A. Lugo, Chief Executive Officer

Jessica Baxter, Assistant Executive Officer

JJ Popowich, Assistant Executive Officer

Jonathan Grabel, Chief Investment Officer

STAFF, ADVISORS AND PARTICIPANTS: (Continued)

Steven P. Rice, Chief Counsel

Allison Barrett, Senior Staff Counsel

Carly Ntoya, Director of Human Resources

Leisha E. Collins, Chief Audit Executive

Delfino Aguilar, Senior Internal Auditor

Nathan K. Amick, Senior Internal Auditor

Kristina Sun, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

Christian Velasco, Senior Internal Auditor

Alex Ochoa, Internal Auditor

Larry Jensen, ACRE Committee Consultant

Brittany Smith, CliftonLarsonAllen, LLP

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

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

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER SB707

A. Just Cause (Section 54953.8.3)
B. Statement of Persons Present at SB707 Teleconference Locations

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER SB707 (Continued)

Trustee Mi requested to participate in the meeting via teleconference for Just Cause, pursuant to Government Code Section 54953.8.3(c)(3) (SB 707). The reason for Just Cause was a need related to medical condition. A physical quorum was present at the noticed meeting location. Trustee Mi confirmed that no individuals 18 years of age or older were present at the teleconference location.

IV. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Meeting of March 18, 2026

Trustee Langton made a motion, Trustee Ginsberg seconded, to approve the Minutes of the Regular meeting of March 18, 2026. The motion passed by the following roll call vote:

Yes: Fesler, Ginsberg, Langton, Martin, Mi

Absent: Fay, Kehoe

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. NON-CONSENT ITEMS

A. **Internal Audit External Quality Assessment**
Recommendation as submitted by Leisha E. Collins, Chief Audit Executive and Alex Ochoa, Internal Auditor: Staff recommends the ACRE Committee to:

1) Authorize the issuance of a Request for Proposal (RFP) for an External Quality Assessment (EQA) of the Internal Audit Division.
2) Designate one of its members to serve on the evaluation team for the selection of the consultant to perform the EQA.
(Presentation) (Memo dated May 29, 2026)

Ms. Collins and Mr. Ochoa provided a presentation. Ms. Collins and Messrs. Ochoa and Jensen were present and answered questions from the Committee.

VI. NON-CONSENT ITEMS (Continued)

Trustee Fesler made a motion, Trustee Ginsberg seconded, to approve staff's recommendation to appoint Mr. Jensen, ACRE Consultant, and Trustee Langton to serve on the evaluation team for the selection of a consultant to perform External Quality Assessment (EQA). The motion passed by the following roll call vote:

Yes: Fesler, Ginsberg, Langton, Martin, Mi

Absent: Fay, Kehoe

B. **Public Disclosure Forms Audit**
Recommendation as submitted by Delfino Aguilar, Senior Internal Auditor and Alex Ochoa, Internal Auditor: That the ACRE Committee review and discuss the following engagement report to take the following action(s).

1. Accept and file,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the audit findings, and/or
4. Provide further instruction to staff.
(Presentation) (Memo dated May 15, 2026)

Messrs. Aguilar and Ochoa provided a presentation. Messrs. Aguilar, Ochoa, Rice and Grable were present and answered questions from the Committee.

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

Yes: Fesler, Ginsberg, Langton, Martin, Mi

Absent: Fay, Kehoe

VI. NON-CONSENT ITEMS (Continued)

C. **Los Angeles County's Compliance with Requirements for Rehired Retirees - Fiscal Year Ended June 30, 2025**
Recommendation as submitted by Gabriel Tafoya, Senior Internal Auditor: That the ACRE Committee review and discuss the following engagement report to take the following action(s).

1. Accept and file,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the audit findings, and/or
4. Provide further instruction to staff.
(Presentation) (Memo dated May 14, 2026)

Mr. Tafoya provided a presentation. Messrs. Tafoya, Rice and Lugo were present and answered questions from the Committee.

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

Yes: Fesler, Ginsberg, Langton, Martin, Mi

Absent: Fay, Kehoe

D. **Strategic Asset Allocation Audit**
Recommendation as submitted by Christina Logan, Principal Internal Auditor and Kristina Sun, Senior Internal Auditor: That the ACRE Committee review and discuss the following engagement report to take the following action(s).

1. Accept and file,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the audit findings, and/or
4. Provide further instruction to staff.
(Presentation) (Memo dated June 9, 2026)

VI. NON-CONSENT ITEMS (Continued)

Ms. Sun provided a presentation and was present to answer questions from the Committee.

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

Yes: Fesler, Ginsberg, Langton, Martin, Mi

Absent: Fay, Kehoe

E. **Business Continuity Program Advisory Engagement**
Recommendation as submitted by Christina Logan, Principal Internal Auditor and Christian Velasco, Senior Internal Auditor: That the ACRE Committee review and discuss the following engagement and take the action(s) below.

1. Accept and file,
2. Instruct staff to forward memo to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the engagement, and/or
4. Provide further instruction to staff.
(Presentation) (Memo dated May 31, 2026)

Mr. Velasco provided a presentation and was present to answer questions from the Committee.

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

Yes: Fesler, Ginsberg, Langton, Martin, Mi

Absent: Fay, Kehoe

VI. NON-CONSENT ITEMS (Continued)

F. **Fiscal Year 2025-2026 Internal Controls over Financial Reporting (ICFR) Readiness Assessment**
Recommendation as submitted by Christina Logan, Principal Internal Auditor and Kristina Sun, Senior Internal Auditor: That the ACRE Committee review and discuss the following engagement and take the action(s) below.

1. Accept and file,
2. Instruct staff to forward memo to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the engagement, and/or
4. Provide further instruction to staff.
(Presentation) (Memo dated June 9, 2026)

This item was taken out of order at the request of the Chair.

Ms. Sun provided a presentation and was present to answer questions from the Committee.

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

Yes: Fesler, Ginsberg, Langton, Martin, Mi

Absent: Fay, Kehoe

VII. REPORTS

A. **Building the Fiscal Year (FY) 2027 Audit Plan: Our Risk Assessment and Audit Planning Process**
Leisha E. Collins, Chief Audit Executive
(Presentation) (Memo dated June 15, 2026)

Ms. Collins provided a presentation. Ms. Collins and Mr. Jensen were present to answer questions from the Committee. This item was received and filed.

VII. REPORTS (Continued)

B. **Analysis of Human Resources' Employee Separation Data**
Christina Logan, Principal Internal Auditor
Christian Velasco, Senior Internal Auditor
(Presentation) (Memo dated April 30, 2026)

Mr. Velasco and Ms. Baxter provided a presentation and answered questions from the Committee. This item was received and filed.

C. **Audit Pool Contract Extension Update**
Christina Logan, Principal Internal Auditor
Alex Ochoa, Internal Auditor
(For Information Only) (Memo dated June 9, 2026)

This item was received and filed.

D. **Fiscal Year Ending 2026 Audit Plan Status Report**
Nathan K. Amick, Senior Internal Auditor
(For Information Only) (Presentation) (Memo dated June 18, 2026)

This item was pulled for further discussion.

Messrs. Amick, Jensen and Ms. Collins were present and answered questions from the Committee. This item was received and filed.

E. **Recommendation Follow-Up Report**
Leisha E. Collins, Chief Audit Executive
Delfino Aguilar, Senior Internal Auditor
(For Information Only) (Memo dated June 17, 2026)

This item was pulled for further discussion.

F. **Recommendation Follow-Up for Sensitive Information Technology Areas**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated May 29, 2026)

This item was received and filed.

VII. REPORTS (Continued)

G. **Ethics Hotline Status Report**
Leisha E. Collins, Chief Audit Executive
(For Information Only) (Memo dated May 30, 2026)

This item was pulled for further discussion.

Mses. Collins, Barrett and Mr. Jensen answered questions from the Committee.

This item was received and filed.

H. **Internal Audit Staffing Activity Report Update**
Leisha E. Collins, Chief Audit Executive
(Verbal Update)

This item was received and filed.

I. **Status of Other External Audits Not Conducted at the Discretion of Internal Audit**
Leisha E. Collins, Chief Audit Executive
(Verbal Update)

Ms. Collins 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

Trustee Langton requested that staff review the audit pool firms for any updates and obtain a brief status update from the external firms whose contracts were extended.

X. ITEMS FOR FUTURE AGENDAS

This item was received and filed.

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

This item was received and filed.

XII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:24 a.m.

LACERA

August 11, 2026

TO: Each Trustee
ACRE Committee

FROM: Carly Ntoya, Ph.D.
Director, Human Resources

FOR: August 19, 2026, ACRE Committee Meeting

SUBJECT: **Salary Placement for Chief Ethics and Compliance Officer, LACERA**

**RECOMMENDATION**
That the ACRE Committee, on the recommendation of the Chief Executive Officer, approve the salary placement for the Chief Ethics and Compliance Officer (CECO), LACERA at a starting base salary of $17,625.80 per month ($211,509.60 annually) or Step 16 of the Chief Ethics and Compliance Officer, LACERA MAPP Tier II LS 12 salary range.

**LEGAL AUTHORITY**
The Ethics and Compliance Program Charter provides that the Chief Executive Officer (CEO) is the appointing authority for the Chief Ethics and Compliance Officer (CECO). The Program Charter (Section III) further provides that the Audit, Compliance, Risk, and Ethics (ACRE) Committee and the Boards all jointly approve the CEO's hiring, termination, and discipline of the CECO and contribute to the CEO's performance evaluation of the CECO.

The ACRE Committee Charter (Section VII. B. 1) provides that the Committee shall provide input on and approval of the CECO's appointment by the CEO as part of its functional oversight of the Ethics and Compliance Program.

While the Chief Executive Officer serves as the appointing authority for the Chief Ethics and Compliance Officer position, the ACRE Committee and the Boards exercise approval authority over the CEO's hiring decision and provide governance oversight of the Ethics and Compliance Program. Accordingly, the appointment of the CECO is made by the CEO, with approval by the ACRE Committee and the Boards.

Therefore, the ACRE Committee is being asked to approve the CEO's recommended salary placement for the Chief Ethics and Compliance Officer, LACERA position and to forward its recommendation to the Board of Retirement and Board of Investments for final consideration at their September 2026 meetings. Because the salary recommendation is above Step 12, Board approval is also required under Ordinance 6.127.040 P 1 of the County Salary Ordinance.

The Brown Act provides in Government Code Section 54953(d)(3) that action on senior executive compensation, including benefits, must be orally announced in open session before final action is taken.

## BACKGROUND

The Board of Retirement and Board of Investments previously approved establishment of the Chief Ethics and Compliance Officer, LACERA classification and salary range and directed submission of the ordinance amendments necessary to implement the classification and compensation structure to the Board of Supervisors. The Chief Ethics and Compliance Officer, LACERA classification was established at the MAPP Tier II LS 12 salary schedule.

LACERA is in the process of hiring a CECO. A resume canvass was conducted through the external recruiter, Conselium. Following first-round CECO candidate interviews, the Ad Hoc Committee conducted second-round interviews and advanced the top two candidates for final selection interviews with the Chief Executive Officer on August 4, 2026. Upon completion of the recruitment process, an open competitive examination was conducted for Chief Ethics and Compliance Officer, LACERA, resulting in an eligible register.

## SALARY PLACEMENT

The Chief Ethics and Compliance Officer, LACERA annual salary (LS12) is $143,964.96 - $217,902.48[1], of the MAPP Tier II plan. The MAPP Tier II salary ranges consist of 18 salary steps, with the first 12 steps being 3 percent apart and the last six steps being 1 ½ percent apart.

Implementation of the Los Angeles County Code section 6.127.040 P.1 indicates that the retirement administrator may designate any step up to and including Step 12 of the salary range established for the position to which the person is being appointed. Appointment to a salary rate greater than Step 12 shall require prior approval of the Board of Retirement and Board of Investments jointly.

The ACRE Committee is being asked to approve an advanced step placement to Step 16 of the salary range which would provide for a starting base salary of $17,625.80 per month ($211,509.60 annually).

The CEO recommends Step 16 as appropriate and having good cause given the experience and skill of the CECO candidate as will be further discussed in the Executive Session item relating to appointment of the selected candidate.

## BUDGET IMPACT

The Chief Ethics and Compliance Officer, LACERA is fully funded in the FY 2026-2027 budget and filling the position would add no additional cost.

## CONCLUSION

That the ACRE Committee, on the recommendation of the Chief Executive Officer, approve the recommended salary placement for the Chief Ethics and Compliance Officer, LACERA, at a starting base salary of $17,625.80 per month ($211,509.60 annually) or Step 16 of the Chief Ethics and Compliance Officer, LACERA salary range.

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[1] Salary as of October 7, 2025. The salary will be automatically updated to reflect approved increases, including the 4.5% COLA when it is implemented.

LACERA

August 12, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Leisha E. Collins
Chief Audit Executive

FOR: August 19, 2026, Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Internal Audit Fiscal Year Ended (FYE) 2026-2027 Proposed Audit Plan**

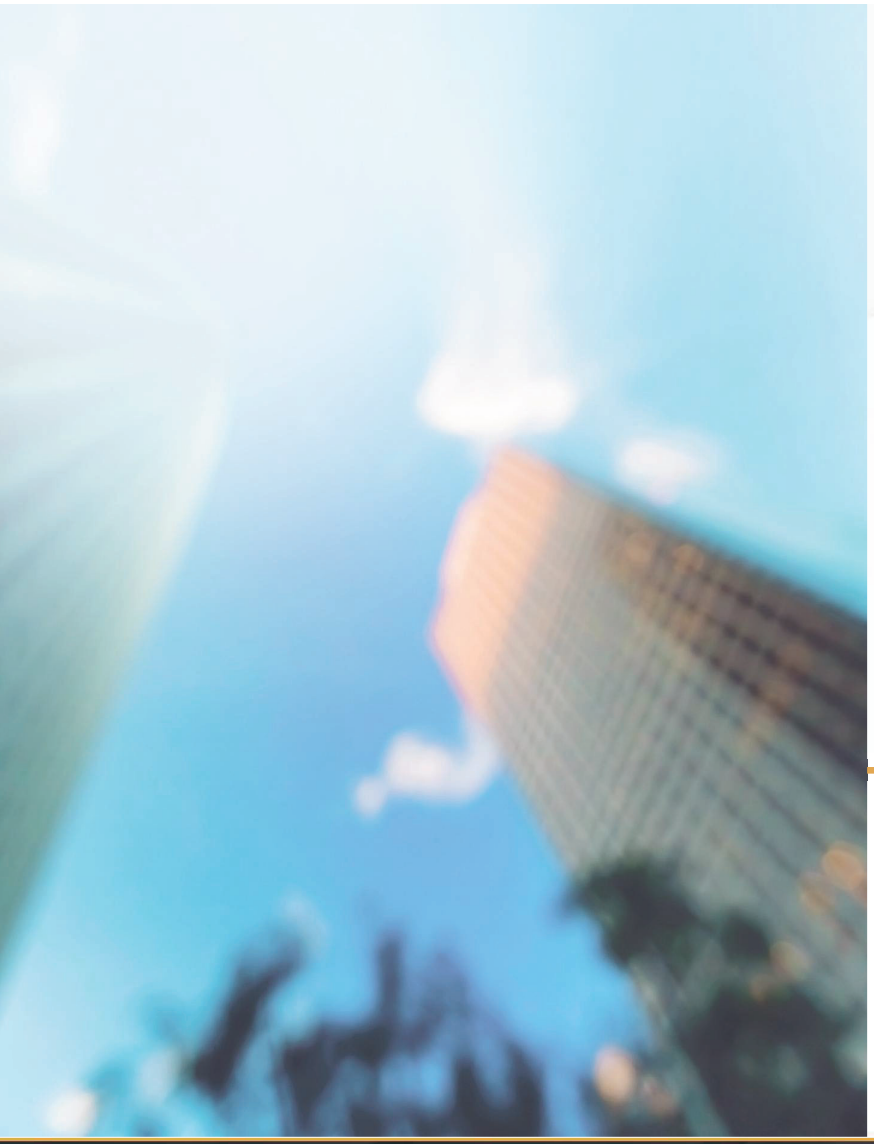
**RECOMMENDATION**
Recommend the ACRE Committee review and approve the Proposed Internal Audit FYE 2026-2027 Audit Plan.

**BACKGROUND**
Under Section VII.A.1.f of the ACRE Charter, the Committee is responsible for approving Internal Audit's risk-based Audit Plan and ensuring that LACERA's governance, risk management, and control processes are appropriately evaluated. In addition, the Institute of Internal Auditors' Global Internal Audit Standard 9.4 requires the Chief Audit Executive to develop an internal audit plan that supports the organization's objectives and is based on a documented assessment of its strategies, objectives, and risks.

To fulfill this responsibility, Internal Audit conducted an organization-wide risk assessment to identify and evaluate areas of potential risk across LACERA's operations, programs, and strategic priorities. The assessment incorporated input from management and executive leadership, LACERA's strategic initiatives and objectives, prior audit results, known control issues, emerging risks, and key business processes in the audit universe. This approach provided a documented and risk-based foundation for the development of the FYE 2027 Audit Plan. Refer to Attachment B for the Proposed FYE 2027 Audit Plan and Attachment C for a detailed listing of the risk assessment results.

Staff will provide an overview of the risk assessment and audit plan at the August 2026 ACRE Meeting.

**Attachments**:
A. Internal Audit FYE Proposed 2027 Audit Plan (Presentation)
B. Internal Audit FYE Proposed 2027 Audit Plan
C. Internal Audit FYE 2027 Risk Assessment



ATTACHMENT A

# Internal Audit Proposed FYE 2027 Audit Plan

**ACRE Meeting: August 19, 2026**

Presented by:

Leisha E. Collins, Chief Audit Executive

# Guiding Principles for Risk-Based Audit Plans

Based on the Global International Standards for the Professional Practice of Internal Auditing from the Institute of Internal Auditors (IIA):

- *The Chief Audit Executive (CAE) must create an internal audit plan that supports the achievement of the organization's objectives.*

- *The assessment must be performed at least annually, be dynamic and updated timely in response to changes in the organization's business, risk operations, programs, systems, controls, and organizational culture.*

In accordance with the ACRE Charter, the Committee approves Internal Audit's risk-based Audit Plan, including the budget for resources and funding, to ensure the scope of governance, risk and control processes are adequately evaluated.

# The Audit Plan Cycle

| | | | | |
|---|---|---|---|---|
| • Reviewed historical audit coverage<br>• Gained understanding of industry trends and business sector risks<br>• Reviewed Strategic Initiatives<br>• Updated Audit Universe processes, risks, and controls | • Reviewed historical audit coverage<br>• Compiled information from Audit Universe<br>• Developed risk capturing and ranking criteria<br>• Aggregated and prioritized the risk information<br>• Assessed relevant organizational and emerging risks | • Developed draft audit plan based on risk analysis<br>• Discussed risk assessment results and audit focus with Exec Mgmt.<br>• Incorporated feedback from ACRE<br>• Identified high-priority internal operational needs for inclusion | • Discuss methodology of risk assessment used for audit planning<br>• Present Audit Plan results<br>• Discuss proposed FYE 2027 Audit Plan with ACRE<br>• Request approval of FYE 2027 Audit Plan | • Provide Audit Plan status updates at each ACRE meeting<br>• Discuss significant changes to Audit Plan for ACRE review and approval<br>• Update Risk Assessment with results from completed audits |

# Audit Plan Inputs: Audit Universe Risk Assessment

## Step 1 — Evaluate Business Process to determine Inherent Risk Score

**Risk Factors**
Each business function is rated based on five risk area:
- Organizational financial impact
- Member impact
- Operational complexity
- Compliance
- Reputation

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**Risk Weight**
How much each risk factor counts toward the overall score.

=

**Inherent Risk Score**

The level of risk that exists before considering any controls or mitigating actions.

## Step 2 — Assess controls that mitigate risks and determine Preliminary Residual Risk Score

**Inherent Risk Score**
The scored exposure carried forward from Step 1.

−

**Mitigating Controls**
The processes, policies, and oversight already in place that reduce the likelihood or impact of a risk.

=

**Preliminary Residual Risk Score**

What remains after controls — used to rank and prioritize the audit plan.

# Audit Plan Inputs: Internal Audit Strategic Initiatives

**LACERA's Strategic Pillars:**

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

**Internal Audit's Strategic Pillars** *(3-Year Road Map):*

**Trusted Advisors:** Enhancing processes to position Internal Audit as add value and influence operational improvements.

**Continuous Learners:** Build audit competencies and foster a culture of learning to deliver actionable insights.

**Risk Consultants:** Advancing LACERA's risk awareness to strengthen organizational maturity and resilience.

**Internal Audit's FY 2027 Strategic Initiatives:**

**Trusted Advisors:**
- Complete Advisory Framework and workflow process.
- Provide advisory education sessions to Leadership Steering Council and Mgmt. Action Team.
- Refine engagement reporting for clarity and transparency.

**Continuous Learners:**
- Complete FY 2027 Continuous Professional Development Training.
- Complete AI Training specific to audit and best practices.
- Formalize and Implement KPIs for ACRE reporting.

**Risk Consultants:**
- Conduct organizational-wide Risk Training
- Conduct quarterly risk discussions with management and Exec Leadership.
- Complete quarterly Risk Assessment updates

# Audit Plan Inputs: Emerging Risks

| EMERGING RISKS | IA PROJECTS TO ADDRESS EMERGING RISKS |
|---|---|
| IT/AI Governance | • AI Governance Review |
| Cybersecurity | • Penetration Test/Assessment (FY 2026) |
| Third Party Vendor Management | • Third Party Vendor Topical Requirements Review |
| Business Continuity/Disaster Recovery | • Disaster Recovery Advisory Review |
| Member Benefits – Service Delivery | • Member Appointment System Audit<br>• First Benefit Payment – CAP Testing |
| Workforce Talent | • HR Needs Assessment Advisory Engagement (FY 2026) |
| Financial and Accounting Processes | • Internal Controls over Financial Reporting Assessment (FY 2026)<br>• Investment Risk Assessment for Audit Planning |

# Engagement Categories

## Assurance Engagements

Assurance Engagements provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the ACRE Committee on governance, risk management, and control processes for LACERA

## Advisory Engagements

Advisory services provide Management with formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

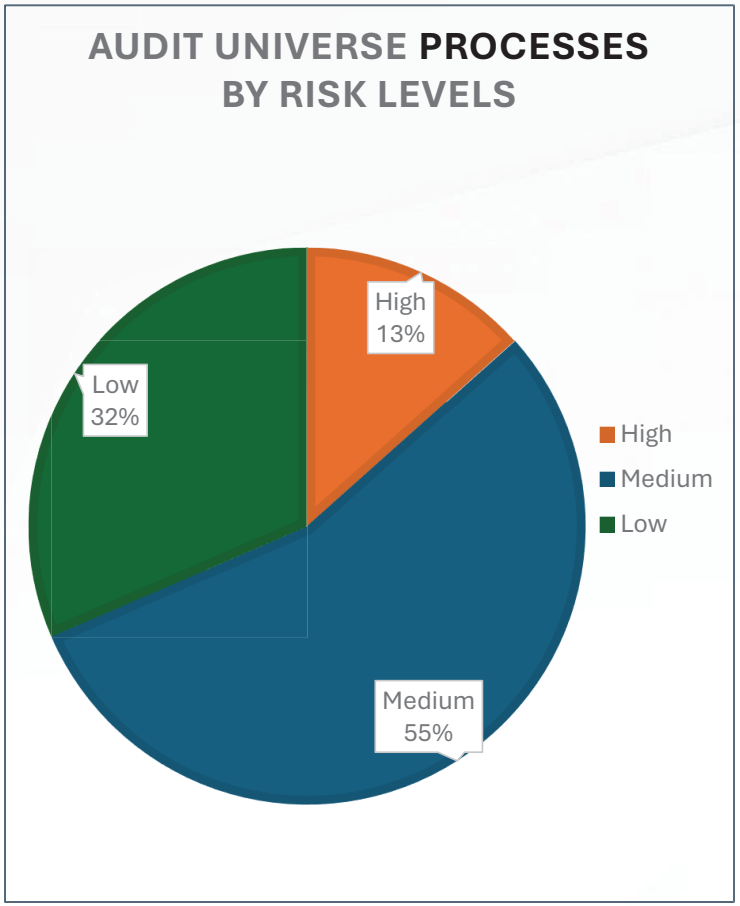
## Continuous Auditing Program (CAP) Tests

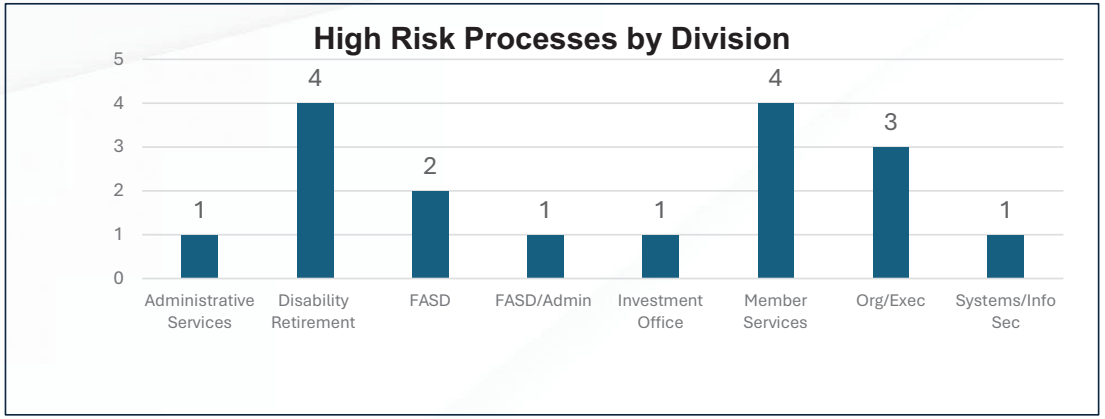
CAP Tests are very limited scope reviews that incorporate data analytics and system queries to perform the tests. The intention of CAP testing is to provide LACERA Management with greater visibility into processes, activities, and transactions.

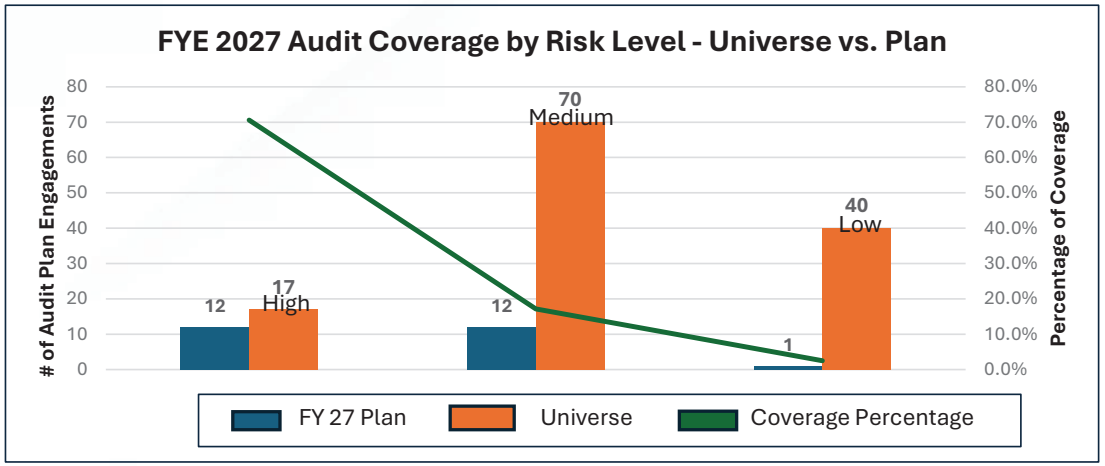
## Oversight

Internal Audit oversees various projects and engagements that are conducted by external auditors or consultants, such as LACERA's Fiscal Year Financial Statement Audit.

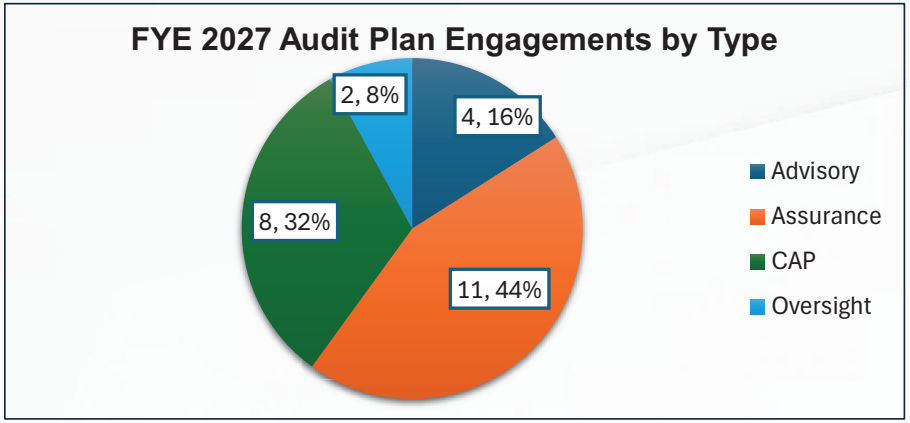
# Summary of FY 2027 Risk Assessments Results

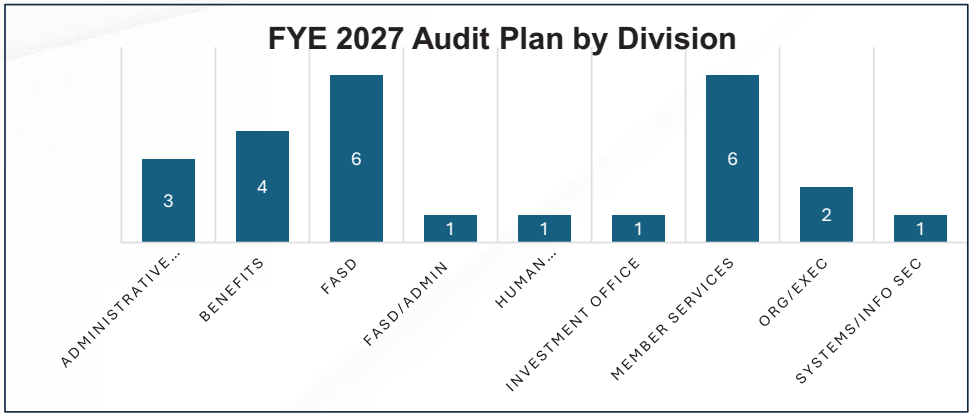


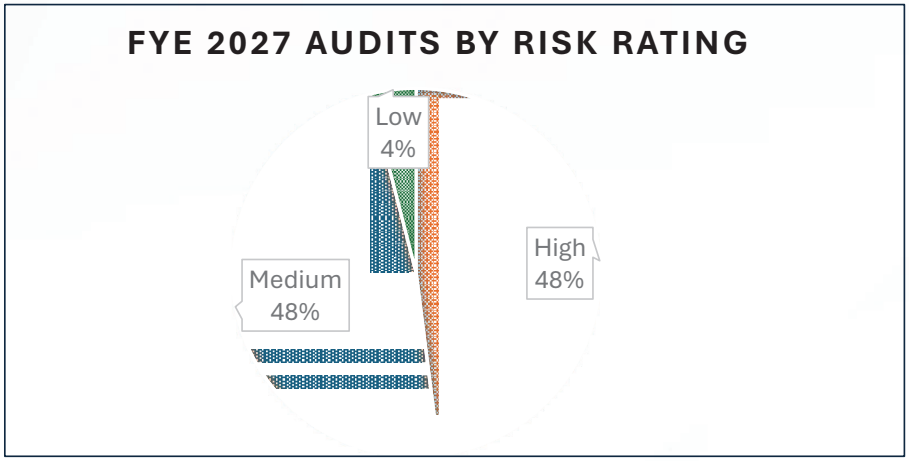



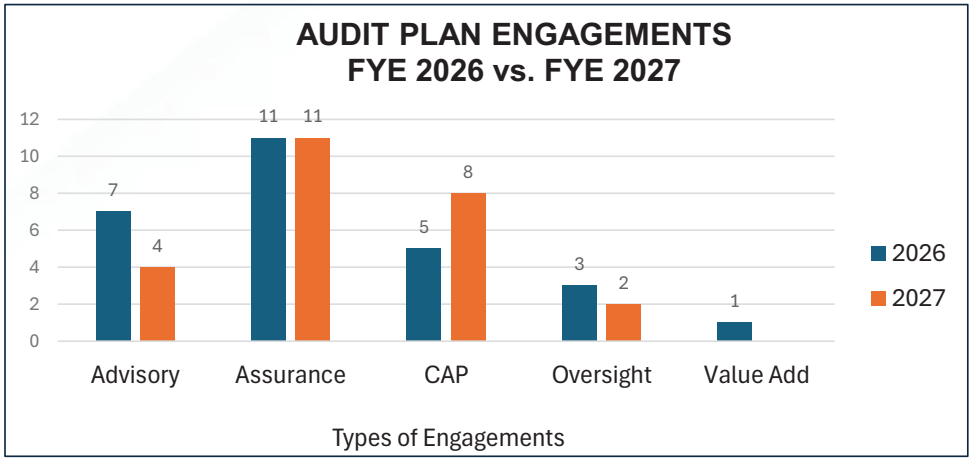



# FY 2027 Audit Plan Coverage



# FY 2027 Audit Plan Focus (Q1)

**INTERNAL AUDIT**
**FYE 2027 PROPOSED AUDIT PLAN**

| FYE 2027 Audit Plan Project Item # | Division | Process Ref. | Process | Process Description | Process Residual Risk Level | Project Type | Audit Assignment | Estimated Timing of Project |
|---|---|---|---|---|---|---|---|---|
| 1 | FASD | FS-13 | Actuarial Studies, Actuarial Reports, Census Data | FASD Reporting and Compliance Unit coordinates with external consultants to perform actuarial studies, actuarial reports, and census data. | Medium | Oversight | External | Q1 |
| 2 | Member Services | MS-08 | Member Retirement Counseling (In-Person/Virtual) | Member Services contacts members to discuss retirement benefits. | Medium | Assurance | Internal | Q1 |
| 3 | Administrative Services | AS-03 | Centralized Procurement | The Procurement Unit administers LACERA's centralized solicitation, acquisition, and contracting of goods and services and safeguards fiscal integrity, compliance, and vendor risk management in alignment with strategic goals. | Medium | Advisory | Internal | Q1 |
| 4 | Benefits/FASD | BN-08 | Direct Deposit/Pre-Paid Debit Card processing | Account Maintenance Unit (AMU) enters new and updated direct deposit and prepaid debit card information in Workspace and the third-party system. This is critical to timely payments. | Medium | Assurance | Internal | Q1 |
| 5 | Benefits | BN-23 | Death Legal Unit (DLU): Death Payments to Beneficiaries | After a retired member death, LACERA pays a burial benefit and remaining funds on deposit if any. For active member death, LACERA pays the basic death benefit and depending on cause of death a special death benefit. | Medium | CAP | Internal | Q1 |
| 6 | FASD | FS-14 | Financial Reporting and Financial Statement Audit | FASD Reporting and Compliance Unit is responsible for managing the financial reporting of the annual comprehensive financial report (ACFR) and the annual financial statement audit. | Medium | Oversight | Internal | Q1 |
| 7 | FASD | FS-02 | Monthly Member Payroll - Payroll & Tax Payment | FASD General Accounting Unit reconciles the monthly retiree member payroll, including the related tax payments that have to be paid to the IRS/FTB. | High | CAP | Internal | Q1 |

# FY 2027 Audit Plan Focus (Q2)

**INTERNAL AUDIT**
**FYE 2027 PROPOSED AUDIT PLAN**

| FYE 2027 Audit Plan Project Item # | Division | Process Ref. | Process | p rocess Description | Process Residual Risk Level | Project Type | Audit Assignment | Estimated Timing of Project |
|---|---|---|---|---|---|---|---|---|
| 8 | FASD | FS-12 | Employer Contribution Reconciliation | FASD General Accounting Unit performs reconciliation of employer contributions received from LA County on a monthly basis using eHR data. | High | Assurance | External | Q2 |
| 9 | Member Services | MS-04 | Hardship Escalations | These are general cases that are escalated for more complex evaluations and include executive requests and hardship expedites. | High | Assurance | Internal | Q2 |
| 10 | Member Services | MS-06 | Virtual Counseling | Virtual counseling are calls converted to confirm identity; used when member cannot pass High-Risk Validation (HRV). | High | CAP | Internal | Q2 |
| 11 | Administrative Services/Info Sec | AS-06 | Business Continuity/Disaster Recovery | Enterprise framework ensuring uninterrupted, accurate benefit payments and continuity of core operations during any disruption. Includes recovery of critical processes across all divisions. | Medium | Advisory | External | Q2 |
| 12 | FASD | FS-05 | Daily Member Payroll -M ember Special Payments | FASD processes daily one-time member payments (retroactive adjustments, corrections, death benefits) via IRIS/Workspace, transitioning from in-house checks to vendor CSG. Critical to accurate, timely, authorized disbursements. | Medium | CAP | Internal | Q2 |
| 13 | FASD | FS-07 | Corporate Credit Cards (CEO & Non-CEO) | FASD General Accounting Unit processes the corporate credit transactions with supporting documentations provided by individual card users. | Low | CAP | Internal | Q2 |

# FY 2027 Audit Plan – IA Operations & Enhancements

**INTERNAL AUDIT**
**FYE 2027 PROPOSED AUDIT PLAN**

| Division | Process Ref. | Process | Process Description | Timing of Project |
|---|---|---|---|---|
| IA | IA-01 | Recommendation Follow-Up | Staff track, monitor, and validate the status of audit recommendations, including management's progress in implementing agreed-upon action plans. | Q1-Q4 |
| IA | IA-02 | Continuous Professional Development (CPE) | Staff will complete at least 40 hours of CPE annually. The FYE 2027 CPE Training Plan will emphasize AI applications in auditing, audit best practices and core competencies, and development of the advisory audit framework. | Q1-Q4 |
| IA | IA-03 | External Quality Assessment (EQA) | Staff time will be dedicated to supporting the EQA process and addressing any opportunities for improvement identified through the assessment. | Q1-Q4 |
| IA | IA-04 | Internal Audit Strategic Initiatives | Staff will advance FYE 2027 Internal Audit strategic initiatives that support the department's three-year roadmap and strengthen audit operations. | Q1-Q4 |

# Recommendation

Staff is requesting that the ACRE Committee review and approve the Proposed Internal Audit FYE 2027 Audit Plan.

# FYE 2027 PROPOSED AUDIT PLAN

# FY 2027 Proposed Audit Plan

**INTERNAL AUDIT**
**FYE 2027 PROPOSED AUDIT PLAN**

**ATTACHMENT B**

| Project Item # | Division | Process Ref. | Process | Process Description | Process Residual Risk Level | Project Type | Audit Assignment | Estimated Timing of Project |
|---|---|---|---|---|---|---|---|---|
| 1 | FASD | FS-13 | Actuarial Studies, Actuarial Reports, Census Data | FASD Reporting and Compliance Unit coordinates with external consultants to perform actuarial studies, actuarial reports, and census data. | Medium | Oversight | External | Q1 |
| 2 | Member Services | MS-08 | Member Retirement Counseling (In-Person/Virtual) | Member Services contacts members to discuss retirement benefits. | Medium | Assurance | Internal | Q1 |
| 3 | Administrative Services | AS-03 | Centralized Procurement | The Procurement Unit administers the centralized solicitation, acquisition, and contracting of goods and services and safeguards fiscal integrity, compliance, and vendor risk management in alignment with strategic goals. | Medium | Advisory | Internal | Q1 |
| 4 | Benefits/FASD | BN-08 | Direct Deposit/Pre-Paid Debit Card processing | Account Maintenance Unit (AMU) enters new and updated direct deposit and prepaid debit card information in Workspace and the third-party system. This is critical to timely payments. | Medium | Assurance | Internal | Q1 |
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| 6 | FASD | FS-14 | Financial Reporting and Financial Statement Audit | FASD Reporting and Compliance Unit is responsible for managing the financial reporting of the annual comprehensive financial report (ACFR) and the annual financial statement audit. | Medium | Oversight | Internal | Q1 |
| 7 | FASD | FS-02 | Monthly Member Payroll - Payroll & Tax Payment | FASD General Accounting Unit reconciles the monthly retiree member payroll, including the related tax payments that have to be paid to the IRS/FTB. | High | CAP | Internal | Q1 |
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# FY 2027 Proposed Audit Plan

**INTERNAL AUDIT**
**FYE 2027 PROPOSED AUDIT PLAN**

| Project Item # | Division | Process Ref. | Process | Process Description | Process Residual Risk Level | Project Type | Audit Assignment | Estimated Timing of Project |
|---|---|---|---|---|---|---|---|---|
| 14 | Administrative Services | AS-11 | Document Processing Center | This is a centralized document hub managing incoming/outgoing mail, scanning, workflow routing, high-volume member letters, imaging, and check processing for Retiree Health Care (RHC), Member Services (MS), Benefits, FASD, and Disability Retirement Services (DRS). Critical to timely, accurate member documentation and disbursements. | High | Assurance | Internal | Q3-Q4 |
| 15 | FASD/Admin | FS-20 | Gateway Plaza Title Holding Co Asset Transition | Upon the transition of Gateway Plaza from an investment property to LACERA's primary office location, FASD and Admin Services will oversee financial reporting, occupancy planning, operational readiness, governance, and legal entity transition. | High | Advisory | Internal | Q3-Q4 |
| 16 | Investment Office | IN-01 | Investment Risk Assessment | An assessment of key risks within the Investment Office, including governance, operations, compliance, reporting, and internal controls, to support risk-based audit planning and oversight. | High | Assurance | Internal | Q3-Q4 |
| 17 | Member Services | MS-05 | Active Death Cases | Cases involving members who were LACERA/LA County employees passing during employment. | High | Assurance | Internal | Q3-Q4 |
| 18 | Member Services | MS-07 | Benefits Protection Unit Referrals | Referrals received from Benefits Protection Unit (BPU) where possible fraud is suspected. | High | Advisory | Internal | Q3-Q4 |
| 19 | Org/Exec | OG-01 | AI Governance Audit | LACERA established AI governance, policies, oversight, and controls to support the responsible, secure, and ethical use of artificial intelligence. | High | Assurance | External | Q3-Q4 |
| 20 | Org/Exec | OG-03 | LA County & LACERA Rehired Retirees | LA County rehired retirees cannot exceed the 960-hour requirement, and meet eligibility requirements. LA County is responsible for the approval, time tracking, compensation, and monitoring controls. | High | CAP | Internal | Q3-Q4 |
| 21 | Systems/Info Sec | SY-01 | Change Governance | IT change management processes provide effective governance, approval, testing, implementation, and monitoring controls to ensure system changes are authorized, secure, and appropriately managed. | High | Assurance | External | Q3-Q4 |
| 22 | Benefits | BN-16 | Core: First Payment Agenda | Service Retirement applications are processed through SOL, our case management system. Case is followed from application to first payment of benefit. | Medium | CAP | Internal | Q3-Q4 |
| 23 | Benefits | BN-19 | Core: Service Credit Purchases | Purchases are made to increase the years of service credit for a member. These include Temporary Time, SWOP, Military, Federal time, and Redeposit. | Medium | Assurance | Internal | Q3-Q4 |
| 24 | Human Resources | HR-07 | Bonuses | HR administers employee bonus programs, verifying eligibility and documentation, ensuring Bonus Policy and Memorandum of Understanding (MOU) compliance, securing approvals, and coordinating payment. Serves as the central control function for bonus administration. | Medium | CAP | Internal | Q3-Q4 |
| 25 | Member Services | MS-17 | Monitoring Appeals | Member Services monitors appeals; committee provides recommendations to appeals. | Medium | CAP | Internal | Q3-Q4 |

# FY 2027 Proposed Audit Plan

**INTERNAL AUDIT**
**FYE 2027 PROPOSED AUDIT PLAN**

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**ATTACHMENT B**

## INTERNAL AUDIT
## FYE 2027 PROPOSED AUDIT PLAN

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**INTERNAL AUDIT**

**FYE 2027 PROPOSED AUDIT PLAN**

| FYE 2027 Audit Plan Project Item # | Division | Process Ref. | Process | Process Description | Process Residual Risk Level | Project Type | Audit Assignment | Estimated Timing of Project |
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**INTERNAL AUDIT**

**FYE 2027 PROPOSED AUDIT PLAN**

| FYE 2027 Audit Plan Project Item # | Division | Process Ref. | Process | Process Description | Process Residual Risk Level | Project Type | Audit Assignment | Estimated Timing of Project |
|---|---|---|---|---|---|---|---|---|
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| ____ | IA | IA-03 | External Quality Assessment (EQA) | Staff time will be dedicated to supporting the EQA process and addressing any opportunities for improvement identified through the assessment. | ____ | ____ | Internal | Q1-Q4 |
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**INTERNAL AUDIT**
**FYE 2027 RISK ASSESSMENT**

# ATTACHMENT C

| Division | Process Ref. | Process | Preliminary Residual Risk Score | Process Residual Risk Level | Year of Prior Audit | FY 2027 Audit Plan Project Item #* |
|---|---|---|---|---|---|---|
| Administrative Services | AS-01 | Budget Development | 2.9 | Medium | | |
| Administrative Services | AS-02 | Budget Monitoring | 2.8 | Medium | | |
| Administrative Services | AS-03 | Centralized Procurement | 3.5 | Medium | 2024 | 3 |
| Administrative Services | AS-04 | Contract Management | 3.4 | Medium | 2024 | |
| Administrative Services | AS-05 | LACERA Insurance Program | 2.6 | Medium | | |
| Administrative Services | AS-06 | Business Continuity/Disaster Recovery | 3.6 | Medium | 2026 | 11 |
| Administrative Services | AS-07 | Health Safety Programs | 3.3 | Medium | | |
| Administrative Services | AS-08 | Asset and Inventory Management | 2.1 | Low | 2013 | |
| Administrative Services | AS-09 | Facilities/Renovation | 3.2 | Medium | 2016 | 15 |
| Administrative Services | AS-10 | Records Retention and Management | 3.6 | Medium | 2019 | |
| Administrative Services | AS-11 | Document Processing Center | 3.8 | High | 2014 | 14 |
| Benefits | BN-01 | Benefits Protection Unit (BPU): Foreign Payees | 1.7 | Low | 2024 | |
| Benefits | BN-02 | BPU: Member Authentication Process | 2.5 | Medium | 2021 | |
| Benefits | BN-03 | Fraud Investigations | 1.2 | Low | | |
| Benefits | BN-04 | Account Maintenance Unit (AMU): New Enrollment | 2.9 | Medium | | |
| Benefits | BN-05 | AMU: 1099/Taxes | 2.4 | Medium | | |
| Benefits | BN-06 | AMU: Return Mail/Address Changes | 2.1 | Low | 2023 | |
| Benefits | BN-07 | AMU: Certificate Processing | 3.1 | Medium | 2017 | |
| Benefits | BN-08 | Direct Deposit/Pre-paid Debit Card Processing | 2.7 | Medium | | 4 |
| Benefits | BN-09 | Process Management Group (PMG): Felony Forfeiture | 2.6 | Medium | 2026 | |
| Benefits | BN-10 | PMG: Process Analysis | 1.7 | Low | | |
| Benefits | BN-11 | Core: Withdrawals | 2.7 | Medium | | |
| Benefits | BN-12 | Core: Terminations | 1.9 | Low | | |
| Benefits | BN-13 | Account Settlement Unit (ASU): Account Settlement Process | 2.5 | Medium | 2019 | |
| Benefits | BN-14 | ASU: Outlaw Checks | 1.8 | Low | 2021 | |
| Benefits | BN-15 | Core: Contract payments | 2.8 | Medium | 2013 | |
| Benefits | BN-16 | Core: First Payment Agenda | 3.5 | Medium | 2012 | 22 |
| Benefits | BN-17 | Exceptions: Plan E Rescission | 1.2 | Low | | |
| Benefits | BN-18 | Core: Plan Enhancements | 2.5 | Medium | | |

**INTERNAL AUDIT**
**FYE 2027 RISK ASSESSMENT**

| Division | Process Ref. | Process | Preliminary Residual Risk Score | Process Residual Risk Level | Year of Prior Audit | FY 2027 Audit Plan Project Item #* |
|---|---|---|---|---|---|---|
| Benefits | BN-19 | Core: Service Credit Purchases | 3.0 | Medium | 2013 | 23 |
| Benefits | BN-20 | Core: Reciprocity | 2.9 | Medium | | |
| Benefits | BN-21 | Core: Required Minimum Distribution | 3.2 | Medium | 2021 | |
| Benefits | BN-22 | ASU: Compensation Limit | 3.5 | Medium | 2012 | |
| Benefits | BN-23 | DLU: Death Payments to Beneficiaries | 2.9 | Medium | 2012 | 5 |
| Benefits | BN-24 | Exceptions: Exception Reports | 3.0 | Medium | 2020 | |
| Benefits | BN-25 | Advanced Payroll Unit (APU): Disability Payroll | 2.8 | Medium | | |
| Benefits | BN-26 | Exceptions: Discharge Cancellation | 2.7 | Medium | | |
| Benefits | BN-27 | Exceptions: Replacement Benefit Plan (415b) | 3.5 | Medium | 2018 | |
| Benefits | BN-28 | DLU: Legal Splits | 3.3 | Medium | 2021 | |
| Benefits | BN-29 | DLU: Minor Survivor Continuance | 2.9 | Medium | 2021 | |
| Benefits | BN-30 | DLU: Power of Attorney (POA) forms | 2.6 | Medium | 2021 | |
| Benefits | BN-31 | AMU: Agency Deductions | 2.2 | Low | 2012 | |
| Benefits | BN-32 | DLU: Seamless Survivor Process | 2.7 | Medium | 2021 | |
| Disability Retirement | DR-01 | Case Intake Process | 3.0 | Medium | 2023 | |
| Disability Retirement | DR-02 | Member Care | 2.6 | Medium | 2023 | |
| Disability Retirement | DR-03 | Appeals Process | 3.6 | Medium | 2023 | |
| Disability Retirement | DR-04 | Case Investigation Process | 4.2 | High | 2023 | |
| Disability Retirement | DR-05 | Agenda Process | 3.8 | High | 2023 | |
| Disability Retirement | DR-06 | Quality Assurance | 4.4 | High | | |
| Disability Retirement | DR-07 | Vendor Consultant Hiring & Monitoring | 3.8 | High | 2023 | |
| Disability Retirement | DR-08 | Third-Party Education | 2.6 | Medium | 2023 | |
| FASD | FS-01 | Monthly Member Payroll - Child Support Payments | 2.5 | Medium | | |
| FASD | FS-02 | Monthly Member Payroll - Payroll & Tax Payment | 4.1 | High | | 7 |
| FASD | FS-03 | RHC Carrier Premiums | 2.4 | Medium | | |
| FASD | FS-04 | Reconciliation of Treasury Bank Accounts | 2.6 | Medium | | |
| FASD | FS-05 | Daily Member Payroll - Member Special Payments | 2.7 | Medium | | 12 |
| FASD | FS-06 | Accounts Payable - Vendor Management | 1.6 | Low | 2022 | |

**INTERNAL AUDIT**
**FYE 2027 RISK ASSESSMENT**

| Division | Process Ref. | Process | Preliminary Residual Risk Score | Process Residual Risk Level | Year of Prior Audit | FY 2027 Audit Plan Project Item #* |
|---|---|---|---|---|---|---|
| FASD | FS-07 | Corporate Credit Cards (CEO & Non-CEO) | 1.4 | Low | 2026 | 13 |
| FASD | FS-08 | Accounts Payable - Travel Expense (Staff & Trustees) | 1.4 | Low | 2026 | |
| FASD | FS-09 | Reconciliation Reimbursable Cost (OPEB Trust Fund) | 2.1 | Low | | |
| FASD | FS-10 | General Disbursements | 1.1 | Low | | |
| FASD | FS-11 | Member Payroll - Prepaid Debit Card Program | 3.1 | Medium | | 4 |
| FASD | FS-12 | Employer Contribution Reconciliation | 4.0 | High | | 8 |
| FASD | FS-13 | Actuarial Studies, Actuarial Reports, Census Data | 3.4 | Medium | 2026 | 1 |
| FASD | FS-14 | Financial Reporting and Financial Statement Audit | 2.6 | Medium | 2026 | 6 |
| FASD | FS-15 | Wire Transfers and Cash Projection | 2.7 | Medium | 2024 | |
| FASD | FS-16 | Cash reconciliation for the LC4V Account | 2.5 | Medium | | |
| FASD | FS-17 | Private Market Manager NAV Reconciliation | 2.5 | Medium | | |
| FASD | FS-18 | Hedge Fund NAV Reconciliation | 2.5 | Medium | | |
| FASD | FS-19 | Real Estate/Assets Accounting Functions | 2.5 | Medium | | |
| FASD/Admin | FS-20 | Gateway Plaza THC | 5.0 | High | | 15 |
| Human Resources | HR-01 | Employee Engagement | 1.6 | Low | | |
| Human Resources | HR-02 | Employee Training | 1.7 | Low | | |
| Human Resources | HR-03 | Tuition Reimbursement | 2.0 | Low | 2019 | |
| Human Resources | HR-04 | Protected Leaves & Disability Accommodations | 2.9 | Medium | | |
| Human Resources | HR-05 | Timekeeping/Payroll/Overtime Recording | 3.5 | Medium | 2019 | |
| Human Resources | HR-06 | Workers Compensation | 2.6 | Medium | | |
| Human Resources | HR-07 | Bonuses | 2.6 | Medium | 2022 | 24 |
| Human Resources | HR-08 | Job Analysis and Classification Studies | 2.5 | Medium | | |
| Human Resources | HR-09 | Employee Discipline Process | 3.0 | Medium | | |
| Human Resources | HR-10 | Employee Performance Evaluations | 1.5 | Low | | |
| Human Resources | HR-11 | Employee Terminations Process | 2.9 | Medium | | |
| Human Resources | HR-12 | New Employee Orientation | 2.5 | Medium | | |
| Human Resources | HR-13 | Recruitment Process | 2.2 | Low | 2025 | |
| Human Resources | HR-14 | HR Reporting | 2.2 | Low | | |

# INTERNAL AUDIT
# FYE 2027 RISK ASSESSMENT

| Division | Process Ref. | Process | Preliminary Residual Risk Score | Process Residual Risk Level | Year of Prior Audit | FY 2027 Audit Plan Project Item #* |
|---|---|---|---|---|---|---|
| Human Resources | HR-15 | Special Projects | 1.5 | Low | | |
| Investment Office | IN-01 | Investment Risk Assessment | 5.0 | High | | 16 |
| Member Services | MS-01 | Call Center | 3.5 | Medium | | |
| Member Services | MS-02 | Member Portal Messages | 2.5 | Medium | | |
| Member Services | MS-03 | Member Services Quality Control (MSQC) Hotline | 1.8 | Low | | |
| Member Services | MS-04 | Hardship Escalations | 3.7 | High | | 9 |
| Member Services | MS-05 | Active Death Cases | 3.8 | High | 2019 | 17 |
| Member Services | MS-06 | Virtual Counseling | 4.0 | High | | 10 |
| Member Services | MS-07 | Benefits Protection Unit (BPU) Referrals | 3.9 | High | | 18 |
| Member Services | MS-08 | Member Retirement Counseling (In-Person/Virtual) | 3.5 | Medium | | 2 |
| Member Services | MS-09 | Appeal Case Analysis | 3.6 | Medium | | |
| Member Services | MS-10 | Written Correspondence | 2.6 | Medium | | |
| Member Services | MS-11 | Reciprocal Disability Counseling | 3.6 | Medium | | |
| Member Services | MS-12 | Active/Retired Correspondence (Work-Objects) | 2.6 | Medium | | |
| Member Services | MS-13 | Call Monitoring | 2.8 | Medium | | |
| Member Services | MS-14 | Special Tracking Escalations | 2.8 | Medium | | |
| Member Services | MS-15 | Benefits Referrals | 3.0 | Medium | | |
| Member Services | MS-16 | Training Assistance | 2.7 | Medium | | |
| Member Services | MS-17 | Monitoring Appeals | 2.4 | Medium | | 25 |
| Member Services | MS-18 | My Portal Support Line | 2.8 | Medium | | |
| Member Services | MS-19 | HR Pros Email | 1.8 | Low | | |
| Member Services | MS-20 | Tandem Training Assistance | 1.7 | Low | | |
| Member Services | MS-21 | Member Services Operating Instructions (MSOIs) | 1.8 | Low | | |
| Member Services | MS-22 | Outreach - Benefits Table | 1.7 | Low | | |
| Org/Exec | OG-01 | AI Governance Audit | 5.0 | High | | 19 |
| Org/Exec | OG-02 | 3rd Party Vendor Topical Requirements Audit | 5.0 | High | | |
| Org/Exec | OG-03 | LA County 960 Audit FY 2026 | 4.5 | High | 2025 | 20 |
| Retirement Health Care | RH-01 | Medicare Part B Verification | 0.4 | Low | 2023 | |

**INTERNAL AUDIT**
**FYE 2027 RISK ASSESSMENT**

| Division | Process Ref. | Process | Preliminary Residual Risk Score | Process Residual Risk Level | Year of Prior Audit | FY 2027 Audit Plan Project Item #* |
|---|---|---|---|---|---|---|
| Retirement Health Care | RH-02 | Member Healthcare Enrollment Process | 1.0 | Low | 2023 | |
| Retirement Health Care | RH-03 | Tier 2 Membership Enrollment | 0.7 | Low | 2023 | |
| Retirement Health Care | RH-04 | Insurance Billings/Refunds | 0.6 | Low | 2023 | |
| Retirement Health Care | RH-05 | Refunds (Code 19) | 0.6 | Low | 2023 | |
| Retirement Health Care | RH-06 | Quality Control (QC) of the Member Healthcare Enrollment Process | 0.7 | Low | | |
| Retirement Health Care | RH-07 | QC of RHC Call Center & Counseling | 0.6 | Low | 2024 | |
| Retirement Health Care | RH-08 | Carrier Audits (Review Discrepancy Report) | 0.9 | Low | 2023 | |
| Retirement Health Care | RH-09 | Retro and Late Enrollment | 0.7 | Low | 2023 | |
| Retirement Health Care | RH-10 | Financials (COBRA and Non-Deduct) | 0.7 | Low | 2023 | |
| Retirement Health Care | RH-11 | Domestic Partner Annual 1099 | 0.4 | Low | 2023 | |
| Retirement Health Care | RH-12 | Monthly Premium Reconciliation - Carrier Payments | 1.3 | Low | 2023 | |
| Retirement Health Care | RH-13 | Subsidy Program (RDS, LIS) | 1.5 | Low | 2023 | |
| Retirement Health Care | RH-14 | RHC Call Center & Counseling | 0.7 | Low | 2017 | |
| Systems/Info Sec | SY-01 | Change Governance | 4.0 | High | 2015 | 21 |

LACERA

August 6, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Kristina Sun KS
Senior Internal Auditor

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **ACRE Consultant Agreement Extension**

**RECOMMENDATION**
Recommend the ACRE Committee to approve an extension of the ACRE Committee Consultant Agreement for an additional two one-year period and authorize staff to execute the contract extension with Audit & Risk Management Services, LLC.

**BACKGROUND**
The ACRE Committee Consultant Agreement (Agreement) was executed on January 20, 2024 between LACERA and Mr. Larry Jensen of Audit & Risk Management Services LLC (Consultant) with an option to extend for an additional two subsequent and successive one-year period upon mutual written agreement.

**DISCUSSION**
The current Agreement is for three years from January 20, 2024 and continues through December 31, 2026. If the Committee approves of staff's proposed recommendation, the Agreement will extend Mr. Jensen's consulting service through December 31, 2028.

During the current contract term, Mr. Jensen has supported the Committee by:

- Attending all ACRE meetings and providing independent advice on internal audit and governance matters.
- Reviewing feedback on the Annual Audit Plan presented to the Committee each year.
- Providing advice to the Committee on the implementation of the Global Internal Audit Standards and internal audit leading practices.
- Participating in the recruitment and selection process for the Chief Audit Executive (CAE).

Additionally, Mr. Jensen's professional experience and qualifications are provided below.

| | |
|---|---|
| **Firm** | Audit and Risk Management Services, LLC |
| **Consultant / Title** | Larry Jensen, Principal |
| **Experience & Qualifications** | Larry Jensen has over 25 years of pension fund experience. He reported to retirement boards and audit committees for 20 years while serving as the Chief Audit Executive, Assistant Executive Officer, and Chief Risk Officer for CalPERS and as the Chief Audit Executive of CalSTRS. He was CalPERS' first Risk Officer and led implementation of enterprise risk management (ERM).<br><br>Mr. Jensen has specific knowledge of '37 Act Pension Systems, and broad knowledge of public pension and investment practices and emerging trends, knowledge of financial regulatory sources such as the Governmental Accounting Standards Board (GASB), Generally Accepted Accounting Principles (GAAP), and Generally Accepted Auditing Standards (GAAS).<br><br>With his 25+ years of experience working with public pension systems he is deeply knowledgeable of system administration, investment management, funding, actuarial valuations, financial management, auditing emerging risks, IT and cyber security, compliance and financial statement auditing. |
| **Certifications** | Certified Internal Auditor (CIA), Certification in Risk Management Assurance (CRMA), Certified Information Systems Auditor (CISA) |
| **Meeting Fees** | $1500 per meeting |
| **Prep Fees** | $150/hour |

LACERA

August 11, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Alex Ochoa
Internal Auditor

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Recommendation for Appointment of External Quality Assessment Vendor**

**RECOMMENDATION**
Recommends the ACRE Committee approve the appointment and compensation of IIA Quality Services, LLC and authorize staff to finalize contract negotiations and proceed with the External Quality Assessment (EQA) of LACERA's Internal Audit Division.

**BACKGROUND**
The Global Internal Audit Standards require an external quality assessment of the internal audit activity at least once every five years. LACERA issued a Request for Proposal (RFP) seeking a qualified consultant to conduct an independent EQA of the Internal Audit Division. The assessment will evaluate conformance with the Global Internal Audit Standards and identify opportunities to enhance the effectiveness, efficiency, and value of the Internal Audit function.

The RFP scope included a review of governance, independence, audit methodology, quality assurance activities, selected workpapers, reports, policies, procedures, stakeholder expectations, and alignment with professional standards. Expected deliverables include a project plan, preliminary observations, a final written report with an overall conformance conclusion and recommendations, and a formal presentation of results to the ACRE Committee.

**RFP EVALUATION PROCESS RESULTS**
The evaluation team consisting of a trustee of the ACRE Committee, the ACRE Committee Consultant, the Chief Administrative Officer, and the Internal Auditor Project Manager conducted a competitive review of proposals submitted in response to the RFP. There was a total of nine submitted proposals. Proposals were evaluated using pre-established criteria and weighted scoring categories: Adherence to RFP Instructions (10%), Vendor Background (20%), Consultant/Engagement Team Qualifications (35%), Methodology, Assessment Approach, Work Plan, and Deliverables (25%), and Fee Proposal and Contract Terms (10%).

The table below summarizes the top three vendors based on the compiled team scorecard results:

| Rank | Vendor | Total Weighted Score | Evaluation Summary |
|---|---|---|---|
| 1 | IIA Quality Services, LLC | 88.23 | Highest overall score. Strong standards authority, specialized EQA focus, established methodology, benchmarking tools, and competitive base fee. |
| 2 | Plante Moran | 87.89 | Strong overall proposal and close second based on the weighted scorecard results. |
| 3 | Baker Tilly | 86.29 | Strong proposal with competitive performance across the weighted evaluation categories. |

***Summary of Evaluation Process***

The evaluation team independently reviewed and scored the proposals using the approved evaluation categories. Individual scores were compiled, reviewed, and discussed to identify the proposals that best aligned with LACERA's EQA objectives and the requirements of the RFP.

At the conclusion of the evaluation process, IIA Quality Services received the highest total weighted score. The evaluation team determined that IIA Quality Services provided the strongest overall combination of standards expertise, EQA-specific experience, methodology, engagement leadership, and value.

***Rationale for Sole Firm Recommendation***

Based on demonstrated expertise, value, and alignment with LACERA's needs, the evaluation team supports the selection of IIA Quality Services as the vendor best qualified to perform LACERA's External Quality Assessment.

- **Direct Standards Authority and Specialized Expertise:** IIA Quality Services is a wholly owned subsidiary of The Institute of Internal Auditors and specializes in quality assessments. Its proposal states that its methodology is rooted in the IIA's Quality Assessment Manual and aligned with the Global Internal Audit Standards effective 2025.

- **Strong EQA Methodology:** The proposal includes a standards-based assessment approach that considers conformance, quality assurance processes, governance, enterprise risk assessment involvement, audit methodology, stakeholder perceptions, survey results, and maturity evaluation.

- **Experienced Engagement Leadership:** The proposed Lead Advisor, Richard Friedman, holds CIA, CISA, and CRMA designations and has prior Chief Audit Executive experience. The proposal also noted access to a group of more than 40 assessors.

- **Benchmarking and Improvement Focus:** The proposal identifies survey history, a proprietary Principles Effectiveness Framework, and access to benchmarking tools that support both conformance assessment and practical improvement recommendations.

- **Competitive Pricing:** The proposed base fee is $31,000, which compares favorably with the other leading proposals while providing access to a specialized EQA provider. Travel costs will be billed separately.

**CONCLUSION**

Following a comprehensive and competitive procurement process, the evaluation team concluded that IIA Quality Services provides the strongest overall combination of qualifications, standards authority, methodology, experience, and value to meet LACERA's assessment objectives.

Staff respectfully request that the ACRE Committee approve the appointment and compensation of IIA Quality Services, LLC and authorize staff to finalize contract negotiations and proceed with the External Quality Assessment engagement.

**Attachment:**

A. Recommendation for Appointment of External Quality Assessment Vendor (Presentation)

ATTACHMENT A

# Recommendation for Appointment of External Quality Assessment Vendor

August 19, 2026 ACRE Meeting

Presented by:
Alex Ochoa, Internal Auditor

# Recommendation and Overview

## Recommendation

Approve the appointment and compensation of IIA Quality Services, LLC and authorize staff to finalize contract negotiations and proceed with the External Quality Assessment (EQA) of LACERA's Internal Audit Division.

## Overview

- The Global Internal Audit Standards require an external quality assessment of the internal audit activity at least once every five years.
- The EQA will evaluate conformance with the Global Internal Audit Standards and identify opportunities to enhance the effectiveness, efficiency, and value of Internal Audit.
- The RFP scope includes governance, independence, methodology, QAIP activities, selected workpapers, reports, policies, procedures, stakeholder expectations, and standards alignment.
- Expected deliverables include a project plan, preliminary observations, final written report with conformance conclusion and recommendations, and formal presentation to the ACRE Committee.
    - IIA Quality Services is directly affiliated with The Institute of Internal Auditors (IIA), the global standard-settting body for the internal audit profession.
    - IIA Quality Services is dedicated exclusively to quality assessments and related services, with extensive experience performing EQAs for public sector organizations.
    - IIA Quality Services' methodology is based on the IIA's Quality Assessment Manual and aligned with the 2025 Global Internal Audit Standards.

# Background

- Required by the Global Internal Audit Standards at least once every five years.
- Performing this EQA due to leadership changes.
- Provides independent validation of Internal Audit conformance and effectiveness.
- Identifies opportunities to enhance value, efficiency, and leading practices.

**Tentative EQA procurement and reporting timeline**

# Scope of Services – Consulting

**The selected firm is to provide LACERA with an independent EQA covering the following areas:**

**Governance, independence, and stakeholder expectations**

- Evaluate the Internal Audit Charter — purpose, authority, and responsibility as approved by the ACRE Committee.
- Interview the ACRE Committee chair and members, executive and senior management, and audit staff.
- Assess integration into LACERA's governance, combined assurance relationships, and enterprise risk assessment process.

**Audit methodology, QAIP, and selected workpapers**

- Review risk assessment, audit universe development, and engagement planning, including information technology coverage.
- Inspect selected workpapers and reports; evaluate the QAIP, policies, procedures, and compliance with legal and regulatory requirements.
- Comment on staff mix and experience, professional proficiency, training, certifications, and the tools and processes used.

# Scope of Services – Consulting (Cont.)

**Standards conformance and improvement roadmap**

- Provide an opinion on conformance with the Global Internal Audit Standards and the IIA Code of Ethics.
- Benchmark against leading practices and identify opportunities to improve efficiency, effectiveness, and value added.
- Determine stakeholder perception of Internal Audit through surveys and interviews, with suggestions for change.

**Deliverables and reporting**

- Detailed project plan with periodic updates to the Project Coordinator and relevant staff.
- Preliminary summary report and final assessment report with observations, findings, and change recommendations.
- Presentation of the EQA results to the LACERA ACRE Committee.

# Evaluation Results – Top Three Firms

| Evaluation Criteria | Baker Tilly | Plante Moran | IIA Quality Services |
|---|---|---|---|
| 1. Adherence to RFP Instruction (10%) | 7.48 | 8.49 | 8.90 |
| 2. Vendor Background (20%) | 17.99 | 17.89 | 18.94 |
| 3. Consultant/Engagement Team Qualifications (35%) | 32.39 | 31.01 | 31.27 |
| 4. Methodology: Assessment Approach, Work Plan, and Deliverables (25%) | 20.13 | 22.50 | 20.94 |
| 5. Fee Proposal and Contract Terms (10%) | 8.30 | 8.00 | 8.18 |
| Total Weighted Scores | **86.29** | **87.89** | **88.23** |

# Evaluation Results – IIA Quality Services Highlights

## Direct Standards Authority & Specialized Expertise

Wholly owned subsidiary of The Institute of Internal Auditors; specializes in quality assessments; methodology rooted in The IIA Quality Assessment Manual and aligned with 2025 Global Internal Audit Standards.

## Strong EQA Methodology

Standards-based assessment approach considering conformance, QAIP, governance, enterprise risk assessment, audit methodology, stakeholder perceptions, survey results, and maturity evaluation.

## Experienced Engagement Leadership

Lead Advisor Richard Friedman holds CIA, CISA, and CRMA designations and has prior Chief Audit Executive experience; proposal notes access to more than 40 assessors.

## Benchmarking & Improvement Focus

Proposal identifies survey history, a proprietary Principles Effectiveness Framework, and benchmarking tools to support practical improvement recommendations.

# Conclusion

Following a comprehensive and competitive procurement process, staff respectfully submits IIA Quality Services, LLC for the Committee's consideration and approval as the consultant to perform the External Quality Assessment of the Internal Audit Division.

The evaluation team concluded that IIA Quality Services provides the strongest overall combination of qualifications, standards authority, methodology, experience, and value to meet LACERA's assessment objectives.

**REQUESTED ACTION**

**Approve the appointment and compensation of IIA Quality Services, LLC and authorize staff to finalize contract negotiations and proceed with the External Quality Assessment engagement.**

**PROCUREMENT TO ENGAGEMENT PATH**


WE ARE HERE

August 6, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Steven P. Rice, SPR
Chief Counsel

Allison E. Barrett AEB
Senior Staff Counsel

FOR: August 19, 2026, 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 objective of LACERA's 2023-2028 Strategic Plan. The goal 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 management 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] ACRE's oversight duty is paramount and requires the Committee to ensure adequate controls exist *and* that they are being implemented.[3] For oversight to be effective, LACERA's compliance function 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 which includes the following Program activities: *1) Ethics and Compliance Education; 2) Policy Management; 3) Ethics and Compliance Baseline Risk Assessment; 4) Ethics and Compliance Baseline Culture Survey; 5) Code of Ethical Conduct rewrite; and 6) Ethics and Compliance Office Personnel.* Each element of the Foundational Work Plan is an essential component of an effective Ethics and Compliance Program. Since the adoption of the Foundational Work Plan, a team of multi-divisional LACERA employees (the Legal Office, Executive Office, Internal Audit, Human Resources; Administrative Services; and subject matter experts in every division) have been performing foundational work and reporting on ethics and compliance activities at ACRE Committee meetings in preparation for the hiring of the Chief Ethics and Compliance Officer (CECO) and to mitigate risk in the interim.[7]

As in our prior reports, this memo includes a chart summarizing the status of each of the foundational work plan activities, with additional details outlined below that include references to the United States Sentencing Guidelines (USSG), Department of Justice 2024 memo "Evaluation of Corporate Compliance Programs" (DOJ-ECCP), and LACERA's Ethics and Compliance Program and ACRE Charters. The USSG and DOJ-ECCP provide standards and best practices for effective ethics and compliance programs (and delineate how the federal government evaluates a compliance Program in the event of an investigation or enforcement action). The Ethics and Compliance Program Charter and the applicable sections of the ACRE Charter were developed in line with the USSG and DOJ-ECCP standards, and the Foundational Work Plan followed suit.

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[2] ACRE Committee Charter, sec. VII.B.
[3] *United States Sentencing Guidelines (USSG), 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 memo on "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.

The foundational work completed to date will be provided to the CECO to evaluate in beginning work, further developing Program infrastructure, maturing the Program, and designing the Ethics and Compliance Roadmap, subsequent work plans, and outstanding ethics and compliance policies and procedures.

## WORK PLAN STATUS

| ***PROGRAM ACTIVITY*** | ***UPDATES*** |
|---|---|
| ***Education and Training*** | • ***Ongoing***: The Ethics and Compliance Committee (ECC) continues its in-house education series (*Message of the Quarter*) to support the multi-directional flow of communication on ethics and compliance between first line operations and the second line Ethics and Compliance function, and to advance a culture of ethics and compliance at every level of the organization. The latest *Message* helped launch LACERA's new Code of Ethical Conduct (adopted May 2026). Subsequent quarterly messages will provide in-depth communications on various sections of the Code.<br>• ***June 2026 – October 2026***: ECC members, including *Certified Ethics & Compliance Professionals* (CCEP) attended the *Society of Corporate Compliance and Ethics* (SCCE) Orange County Regional Compliance and Ethics Conference and will attend the *Practising Law Institute* (PLI) Advanced Compliance and Ethics Workshop. An additional ECC member attended the SCCE Academy and sat for the CCEP exam. |
| ***Policy Management*** | • ***Ongoing***: First-line managers own division-specific risks. The second-line, Ethics and Compliance function collaborates with management to *monitor the controls that mitigate risk*. Policies are a key control. Accordingly, first-line managers continuously review divisional policies to determine when new policies are required and to keep existing policies current according to scheduled review cycles (aka *policy management*). The Ethics and Compliance Policy Subcommittee (ECPS) meets every two weeks when division subject matter experts submit new policies scheduled for review. New or updated policies are forwarded to the ECC for final review and posting on LACERA's Policy Library. The ECC (designed to support the CECO) meets monthly.<br>• ***April 2026* - August 2026**: The following are in review by the ECPS and ECC: *Workplace Violence Prevention Plan; Artificial Intelligence Governance Program Charter; Bonus Policies and Procedures.* |

| | |
|---|---|
| | • ***Upcoming***: Per USSG and DOJ best practices, the Ethics and Compliance Team continues to research the following ethics and compliance policies and procedures for development and implementation by the incoming CECO: *Nonretaliation Policy; Reporting Procedures; Investigation Policy and Procedures; Risk Identification and Assessment Policies and Procedures.* |
| ***Ethics and Compliance Risk Assessment*** | • **April - May 2026**: The Ethics and Compliance team completed a report of the Baseline Risk Assessment findings from the 2025 assessment jointly conducted with Internal Audit during its annual risk assessment process. The report was provided to the Executive Office in May and will be included in the CECO's onboarding package. The CECO will determine next steps to present the findings and recommendations to the ACRE Committee and develop a remediation plan.<br>• **May - September 2026**: Ethics and Compliance has again joined Internal Audit in its 2026 annual risk assessment process. In May and June, the team met with each division manager for a comprehensive review of their operations and processes, to be followed by risk based written surveys and interviews through September. The objective is to establish aligned assurance between Internal Audit, Ethics and Compliance (and ultimately Enterprise Risk Management) to close gaps in LACERA's processes to identify, prevent, detect, monitor, and respond to risks organization-wide. The findings and recommendations from the 2026 assessment will also be provided to the CECO in their onboarding package. |
| ***Ethics and Compliance Culture Survey*** | • ***Ongoing***: Culture is a top risk in all organizations, and an ethical and compliant culture is a primary component of an effective ethics and compliance program. LACERA's leadership and management are making culture a priority in daily operations, organizational and divisional strategic objectives.<br>• ***April 2026***: The Executive Office presented the 2025 Culture Survey Results, Focus Group Feedback, and action plan objectives to the Boards. The CECO will be provided with Culture Survey and Focus Group feedback reports as part of their onboarding package.<br>• ***May 2026 - July 2026***: The Executive Office held its second and third C.H.A.T (connect, hear, ask, talk) sessions with front-line staff.<br>• ***2027***: Follow-up ethics and compliance culture surveys and focus groups will be conducted on a regular cadence to measure progress, at the direction of the CEO and CECO. |
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|---|---|
| ***Code of Ethical Conduct*** | • ***November 2025 - May 2026***: The Code communicates LACERA's commitment to Ethics and Compliance, and its purpose as the Program's foundational document and an accessible organizational decision-making guide. The redrafted Code was presented at the November 2025 and February 2026, ACRE Committee meetings; and adopted by the Boards at their May 2026 meetings.<br>• ***May - August 2026***: Code roll-out has begun with introductions to the ECC, Leadership Steering Council, Management Action Team, divisional Code Champions, as well as during divisional staff meetings as requested by managers. A dedicated launch week is scheduled for August 17, 2026, to illustrate the importance of and engage all staff with the Code and its primary purpose as a standards setting and decision-making guide.<br>• ***September 2026 - February 2027***: Roll-out efforts will be followed by annual training and periodic communications for Trustees and all staff. The CECO will have a primary role in Code training and updating the Code as the Program matures. |
| ***Chief Ethics and Compliance Officer Recruitment*** | • ***March - June 2026***: Legal, HR, the Executive Office, and ACRE Committee Consultant, collaborated on CECO recruitment. An RFP for a recruiter was posted in March. Seven responses were received. After interviewing the top two firms, *Conselium* was engaged in June.[8]<br>• ***June – November 2026****:* A resume canvass was posted in June, first-round candidate interviews were completed in July, Ad-Hoc Committee and final selection interviews were conducted in the first week of August.[9] The final CECO selection was made by the CEO, with recommendation to the ACRE Committee today in closed session (followed by placement on the Boards' September agendas). The goal and expectation are to onboard LACERA's first CECO November 2, 2026, with introduction at the November ACRE meeting.<br>• ***Ongoing***: The Executive Office and Ethics and Compliance team are compiling an onboarding package (with foundational work completed to date) and developing a recommended roadmap of milestones for the CECO to consider over the course of their first year. Once hired, the CECO will oversee the hiring of an administrative assistant for the Ethics and Compliance Office, followed by recruitment for a DCECO. |

[8] *Conselium* is a recruiting firm solely dedicated to the placement of ethics and compliance personnel.
[9] The Ad-Hoc Committee for CECO recruitment is comprised of two Trustees selected by the ACRE Committee Chair (Mr. Kehoe, Ms. Fessler); one Trustee from the Board of Investments (Ms. Langton); and one Trustee from the Board of Retirement (Mr. Pantoja).

***Education & Training***

*An effective Ethics and Compliance Program has appropriately tailored communications and training programs (based on employees' roles and responsibilities) that ensure the compliance program is well-integrated into the organization's day-to-day operations and cultivates a culture of ethics and compliance.*[10] *Under the ACRE 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*.[11]

Education is a critical component to developing an ethical and compliant organization—to foster a culture of integrity, accountability, and transparency and create risk awareness at all levels of the organization. LACERA has established an internal structure with various modalities to develop staff's knowledge base and deliver the ethics and compliance message to each division. The Ethics and Compliance Committee (ECC) is a central component of the Program's internal education structure. According to the USSG and DOJ, a compliance committee (staffed with key roles across the organization) is a best practice for effective programs.

LACERA's ECC is comprised of a cross-section of management and leadership from each division and all three lines of the *Institute of Internal Auditors (IIA) Three Lines Model*.[12] In addition to reviewing organization-wide policies forwarded by the Ethics and Compliance Policy Subcommittee (ECPS), the ECC meets monthly to discuss ethics and compliance program activities such as culture, education, risk assessment, and policy management (all essential elements of effective ethics and compliance programs per the USSG and DOJ-ECCP standards). The ECC supports program implementation and is a central driver in educating LACERA staff on ethics and compliance issues and concepts. ECC members undergo regular ethics and compliance education (as required in the Ethics and Compliance Committee and Program Charters) and serve as subject matter experts in building the foundation for the Program and to ultimately serve as an advisory body to the CECO.[13] Recent ECC in-house education efforts included the message of the quarter ("Message") initiated in 2025. The Message is an in-house education series to promote the multi-directional flow of communication on ethics and compliance between first line operations and the second line Ethics and Compliance function, and to advance a culture of ethics and compliance at every level of the organization. The first two messages were "risk awareness" and "ethics vs. compliance." The most recent Message helped launch the roll-out of LACERA's new Code of Ethical Conduct (adopted May 2026). Subsequent quarterly messages will provide in-depth communications on various sections of the Code (in addition to messages determined by the CECO as part of their education and training plan).

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[10] DOJ-ECCP (2024), p. 2; 5-6.
[11] ACRE Committee Charter, Sec. VII.B7a.
[12] *Management* is the first line, delivering services; *Ethics and Compliance* is the second line, monitoring risk and controls; and *Internal Audit* is the third line, providing independent assurance.
[13] Ethics and Compliance Program Charter, sec. V; VIII.B.

Additionally, ECC members attend external educational conferences and report back to the committee at large regarding key takeaways; and ECC members are encouraged to share that education with their divisions. 2026 conferences include: the SCCE *Orange County Regional Compliance and Ethics Conference* and PLI *Advanced Compliance and Ethics Workshop*. In July, an additional ECC member attended the SCCE academy, sat for and obtained the Certified Compliance and Ethics Professional (CCEP) designation. At least 2 more ECC members are expected to take the certification exam this year.[14]

In accordance with best practices, the ECC will continue to support the CECO in each element of Ethics and Compliance Program management, including Education and Communication, which is a fundamental control to mitigate risk and establish an ethical and compliant culture. The ECC and Ethics and Compliance team will provide the CECO with the foundational work completed to date as informative data to develop their annual education and training plan.

***Policy Management***

*An effective Ethics and Compliance Program has established standards of conduct (such as the Code of Conduct, policies, procedures) and other internal controls reasonably capable of reducing risk or preventing misconduct.[15] Under the ACRE Charter, the Committee reviews reports regarding Program policy governance; and reviews new or updated policies under Committee purview, such as LACERA's Code of Ethical Conduct and Conflict of Interest Code*.[16]

Accordingly, the Ethics and Compliance team provides the ACRE Committee with regular status reports on policies and procedures reviewed by the Ethics and Compliance Policy Subcommittee (which is available to meet every two weeks) and the Ethics and Compliance Committee (which meets monthly). Policies and procedures under current review include: *Workplace Violence Prevention Plan; Artificial Intelligence Governance Program Charter; Bonus Policies and Procedures*.

Additionally, the following policies, procedures, and charters are ripe for review per regularly scheduled cycle and await the CECO's input (as these are central Program documents): *Policy on Policies, Procedures, and Charters; Ethics and Compliance Committee Charter; and the Ethics and Compliance Program Charter*. Pursuant to best practices, the Ethics and Compliance team also recommends the CECO support development of the following stand-alone policies to strengthen controls, risk mitigation, and reporting channels: *Nonretaliation Policy; Investigation Policy and Procedures;*

[14] In addition to the 20 continuing education units earned at the SCCE Academy, certification requires one year of performing ethics and compliance work prior to sitting for the exam.
[15] 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."
[16] ACRE Committee Charter, sec. VII.B.5a-b.

*Reporting Procedures; Risk Identification and Assessment Policies and Procedures.*[17]

***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 Program framework to mitigate identified risk, depending on the likelihood of occurrence and significance of impact*.[18] *Under the ACRE Charter, the Committee reviews 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*.[19]

As with every Program element, ACRE oversight of the Ethics and Compliance Risk Assessment requires the Committee to determine its "effectiveness" beginning with whether the assessment is "well designed." When the DOJ investigates an organization to determine whether its Ethics and Compliance Program is "well-designed," the starting point for evaluation is the organization's risk assessment process. Specifically, the DOJ considers: 1) *how the organization has identified, assessed, and defined its risk profile*; 2) *the controls in place to mitigate the identified risks*; and 3) *the degree to which the program devotes scrutiny and resources to any residual risk*.[20]

In established ethics and compliance programs, risk assessment is an ongoing cycle as internal and external circumstances impacting the organization's risk profile constantly evolve (artificial intelligence is a prime example). The ethics and compliance program framework and elements should be tailored in accordance with the risk assessment and periodically updated as new risks emerge or controls fail. The program is continuously adjusted to incorporate lessons learned following misconduct, investigation, root-cause analysis, and remediation.[21] The risk assessment process itself also may be adjusted as the risks evolve and Program matures.

In addition to the objective of mitigating organizational ethics and compliance risk,[22] the risk assessment is the primary tool to develop and update the other elements of the program (*culture, policy management, education and communication, monitoring and auditing, investigations and remediation, et. al.*). The program (and its controls) are designed in response to the risk assessment and the program's *personnel and resources* allocated accordingly. According to best practices, a Program's infrastructure should be

[17] The CECO may also consider whether to procure a more comprehensive policy/risk management technology solution to support *Compass* and advance LACERA's policy and risk management efforts (across 2nd and 3rd line functions—Ethics and Compliance, Information Security, Internal Audit). *Compass* is the SharePoint library that catalogues LACERA's policies, procedures, and charters.
[18] 18 USCS Appx. sec. 8B2.1(c).
[19] ACRE Committee Charter, sec. VII.B.3a-b.
[20] *Residual risk* is the risk that remains once controls are implemented to mitigate *inherent risk*.
[21] DOJ-ECCP (2024), pp. 2-4.
[22] *Ethics and Compliance Risk*—when laws, regulations, policies, procedures, LACERA's Code of Ethical Conduct or Values are not followed.

established prior to conducting a *comprehensive* risk assessment to ensure there are dedicated resources and personnel to remediate risk and develop response plans. Ethics and Compliance risk mitigation is a full-time endeavor. Uncovering risk without the infrastructure to adequately remediate it poses additional risk.

LACERA's foundational work plan included a *baseline* risk assessment conducted alongside internal audit in 2025, *which primarily served to identify risks and provide foundational information for the CECO who will ultimately recommend a remediation plan*. The baseline assessment identified the top five risks reported by each of the 14 division managers that participated in the 2025 assessment. The Ethics and Compliance team from Legal prepared a Baseline Ethics and Compliance Risk Assessment report and provided it to the Executive Office in May. The report will be provided to the CECO as part of their onboarding package to determine next steps to present the findings and proposed recommendations from the 2025 report to the ACRE Committee and Boards and develop a remediation plan.

The baseline risk assessment report includes a review of: 1) the Ethics and Compliance Risk Assessment Process employed by established programs and 2) the 2025 Ethics and Compliance Baseline Risk Assessment methodology employed in last year's baseline assessment (both highlighted below).

*Ethics and Compliance Risk Assessment Process in Established Programs*

An effective ethics and compliance risk assessment process in a *mature* Program, includes the following:

1. **Identify** the risk (e.g., "risk universe" or "risk register.")
2. **Prioritize** the risks based on the *likelihood* of occurrence and the *severity* of impact (e.g., rank the risks 1-5 etc.; designate high, medium, low; create a heat map).
3. **Inventory** compliance controls, beginning with the highest (mission-critical) risk areas.
4. **Remediate** and develop action plans with the risk owners (management); including recommendations to implement new or update current controls (i.e., risk response and mitigation).
5. **Report** findings and mitigation strategies to senior staff responsible for implementing remediation plans as well as the governing oversight body, (i.e., the ACRE Committee and Boards).

In established, effective programs, the above five steps are a repeated and ongoing cycle, requiring dedicated personnel and resources to continuously *identify, prioritize, inventory, remediate,* and *report* as the risk landscape changes, new risks emerge, or misconduct occurs. This five-step process is the goal once LACERA's Program is fully developed, CECO hired, and Ethics and Compliance Office staffed. In the interim, a baseline assessment was conducted focusing on the threshold step—*identification* of organizational ethics and compliance risks and controls; setting the foundation for ethics

and compliance risk management and to provide the CECO with preliminary information to evaluate the Program, mature the risk assessment process, and design and implement a risk remediation plan. The 2025 report will be provided to the CECO in their onboarding package.

*2025 Ethics and Compliance Baseline Risk Assessment Methodology*

In 2025, the Ethics and Compliance Office joined Internal Audit's annual risk assessment process to conduct a foundational assessment of LACERA's ethics and compliance risks. This joint effort is a developing best practice across industries known as "Aligned Assurance," and includes first line Operations (management), second line Ethics and Compliance (and Enterprise Risk Management), and third line Internal Audit. The purpose of "Aligned Assurance," is threefold: 1) to close gaps in controls and LACERA's processes to identify, prevent, detect, monitor, and respond to risks organization-wide; 2) combine resources; and 3) limit management assessment fatigue.

The 2025 assessment was conducted using two tools: 1) a 34-question written survey; and 2) follow-up interviews with each division manager and/or their designees across 14 divisions. The Ethics and Compliance team included approximately 13 questions specific to ethics, compliance, and culture in Internal Audit's 2025 annual written assessment and joined in the follow-up interviews. While the Ethics and Compliance Program is not yet at full maturity to complete the 5-step risk assessment process outlined above (*1-identify, 2-prioritize, 3-inventory, 4-remediate, 5-report*), step one *identified* at least 5 foundational ethics and compliance risks for the CECO to consider as they formally establish the Program: *1) Culture; 2) People Management; 3) Vendor Management; 4) Outdated Policies and Procedures; and 5) Insufficient Training*. Once the CECO is hired and the Office adequately staffed, step one "identification," will also include continuous monitoring (or observation) of daily operations and controls, in addition to the annual risk assessment questionnaires and interviews.[23] Ethics and compliance experts cite "observation" as an often more informative tool, relying on the objectivity of the compliance office as opposed to the self-reporting first line.[24]

The Ethics and Compliance team from the Legal Office will continue to partner with Internal Audit in their 2026 annual risk assessment (currently underway), gathering further foundational risk information to provide to the CECO in their onboarding package.

***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*

[23] 18 USCS Appx. sec. 8B2.1(b)(5)(A): "The organization shall take reasonable steps to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct." According to the USSG, "monitoring" includes "regular 'walk-arounds' or continuous observation while managing the organization…"
[24] This does not assume bad intent. It is simply human nature.

*law, regulations, policies, and procedures.*[25] *Under the ACRE Charter, the Committee will review periodic surveys of LACERA's culture of ethics and compliance*.[26]

Culture is cited as a top risk in all businesses (and was identified in LACERA's 2025 foundational ethics and compliance risk assessment).[27] Employees are more likely to be engaged and have a strong work ethic in a culture that values integrity, accountability, and transparency and leaders that model those values. Employees are also more likely and feel a responsibility to report misconduct in an ethical work culture. Following the July 2025 culture survey (organized around LACERA's values), organization-wide focus group discussions were held to obtain deeper insight into the survey results and to prioritize vulnerable areas of LACERA's culture. Nine focus groups were conducted, led by two members of the ECC (from the Legal Office). Each of the nine groups (comprised of 75 randomly selected participants, representing every level of the organization) considered: "*Whether there are gaps between what we say our values are and how we practice living them?*" Key themes (presented to the ACRE Committee in November 2025 and Boards in April 2026) included:

1. **Accountability**: Address inconsistent standards and mistrust by reinforcing accountability at all levels (e.g., redesign performance evaluations and enforce timely completion; strengthen reporting channels and non-retaliation protocols).

2. **Values-Driven Leadership**: Ensure leaders set the tone and align behavior with LACERA values (e.g., implement leadership coaching; 360-degree evaluations).

3. **People Development and Workforce Planning**: Address workload inequities and strengthen career development (e.g., develop career pathways, cross-training, and succession planning, while addressing workload distribution and/or skill gaps).

4. **Inclusive Engagement and Transparency**: Increase trust and psychological safety (e.g., clear and respectful communication, early involvement of staff in conveying critical decision-making, leader accessibility, and transparent selection criteria in hiring).

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[25] 18 USCS Appx. sec. 8B2.1(a)(2).
[26] ACRE Committee Charter, sec. VII.B.11.
[27] Culture issues were identified in the 2025 Ethics and Compliance Baseline Risk Assessment. These issues are consistent with the findings in the July 2025 Culture Survey and November 2025 focus group feedback. The Risk Assessment and the Culture Survey are two separate Ethics and Compliance Program elements (with some overlap). The Risk Assessment identified "Culture" as a risk for the occurrence of noncompliance and/or unethical behavior. The Culture Survey provided the opinions of staff as to how they experience LACERA's culture. The Culture focus groups specifically identified that "there are gaps between what we say our values are and how we practice living them."

5. **Execution and Follow-Through**: Strengthen credibility through consistent follow-through on culture action plan (e.g., publish culture tracker, address long-standing concerns, implement feedback loops, and improve project management).

The July 2025 Culture Survey and November 2025 focus group feedback will be provided to the CECO for incorporation into their culture, education, remediation, and other relevant Program work plans.

***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*. *The ACRE Charter provides for Committee review of updates to the Code of Ethical Conduct*.

LACERA's Code states our fiduciary duty, mission, vision, values; serves as a decision-making guide; and expresses LACERA's commitment to ethical judgment and compliance with applicable laws, regulations, policies, and procedures. It also serves as a foundational document for the Ethics and Compliance Program. The reimagined Code underwent a comprehensive review by stakeholders--the Executive Office, the ECC, the Leadership Steering Council, organization-wide focus groups, fiduciary counsel, and ethics and compliance consultants. There was an elevated level of engagement, all of which was incorporated into the current update. Once the content was set, Communications completed the design work.

The Code was presented to the ACRE Committee in November 2025 and February 2026, with final approval by the Boards in May 2026. The approved Code has now been posted on *Compass* and announced to all staff via email from the CEO, launching the formal Code roll-out campaign. Roll-out includes a week (beginning August 17, 2026) of in-person coffee discussions and on-line educational messages, prompting user interface with the Code and engagement with the Ethics and Compliance team. The roll-out is methodical to educate, socialize, and ingrain the Code into day-to-day decision-making and emphasize Code standards as a central part of LACERA's culture, operations, and strategy. Code orientation for Trustees and all LACERA employees will follow, along with quarterly education, annual training and attestation, which will be included within the CECO's education plan.

***Chief Ethics and Compliance Officer Recruitment***

*An effective Ethics and Compliance Program requires designated individuals responsible for the day-to-day operation of the Program (which includes culture, education and communication, policy governance, risk assessment, auditing and monitoring, investigation and remediation, and periodic review of program performance to ensure*

*continued process improvement)*.[28] *The Ethics and Compliance Program Charter provides for an independent Chief Ethics and Compliance Officer, appointed by the CEO, to oversee the Program and regularly report on its activities directly to the ACRE Committee and Boards*.[29] *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*.[30]

Following a series of meetings (beginning in 2025), in March 2026, the Board of Supervisors approved an ordinance adding LACERA's Chief Ethics and Compliance Officer and Deputy Chief Ethics and Compliance Officer class specifications and salaries to the County Code. The Executive Office and Legal collaborated with Human Resources to formulate and implement the CECO recruitment plan; posting an RFP for a recruiting firm in March 2026. The team reviewed seven firms, interviewed two, and selected *Conselium*—a recruiting firm dedicated to hiring ethics and compliance personnel. The contract was executed in the beginning of June, and a resume canvass was posted at the end of that month. Initial interviews were conducted in July, followed by Ad-Hoc Committee and final selection interviews in the first week of August. The final CECO selection was made by the CEO, with recommendation to the ACRE Committee today in closed session (followed by placement on the Boards' September agendas). The goal and expectation are to onboard the CECO on November 2, 2026, and introduce them to the ACRE Committee in November.[31]

The Ethics and Compliance team is now shifting its focus to transition from strategic objective, foundational implementation to the establishment of the formal ethics and compliance office, which will be managed by the CECO. Transition efforts include assembling a CECO onboarding package, to include: 1) *Introduction to LACERA*: Mission, Vision, Values; Fiduciary Duty (Art. XVI, Sec. 17); Board and Committee Governance; Overview of 15-Divisional Operations; 2023-2028 Strategic Plan; and 2) *Introduction to LACERA's Ethics and Compliance Program*: 1) *Governing documents*: Ethics and Compliance Program Charter; ACRE Committee Charter; Code of Ethical Conduct; ECC Charter; and 2) *Ethics and Compliance Foundational Work Plan*: Baseline Risk Assessment report, Baseline Culture Assessment report, and ACRE Committee Work Plan Status Reports (2025-2026). A first-year roadmap is also in development, to share LACERA's priorities for the CECO to consider when setting milestones in their first year. As indicated throughout, the CECO will review the Baseline Risk Assessment report and Baseline Culture Survey, and provide independent analysis of the findings, in addition to developing education, remediation and other Program work plans in response.

[28] 18 USCS Appx. sec. 8B2.1(b)(2)(C).
[29] Ethics and Compliance Program Charter, sec. III.
[30] 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.
[31] The CECO will oversee the hiring of an administrative assistant for the Ethics and Compliance Office, followed by recruitment for the DCECO in 2027.

Additionally, to establish Program authority, foster engagement, build relationships, institute collaboration with management, and learn about LACERA's operations, the CECO will meet with key stakeholders (Leadership Steering Council, Management Action Team, Supervisor Action Team, front-line Staff) and conduct one-on-ones with each division manager and/or unit supervisor. This will be a mutual engagement where the CECO will inquire about, observe and learn divisional culture and risks, and in turn LACERA stakeholders will further appreciate the CECO's role and responsibilities and how the Ethics and Compliance Office will support divisional operations, organizational strategic objectives, and the Boards' fiduciary duty to LACERA's members.

**CONCLUSION**

LACERA's Ethics and Compliance Program's Foundational Work Plan activities have been ongoing since Work Plan adoption by the ACRE Committee and Boards in October 2024. The work to date will provide the CECO with substantive data from which to continue to build the framework, implement the Program, and measure its growth and value added to the organization.

The Ethics and Compliance Program is designed in accordance with federal standards and best practices to identify, prevent, mitigate, detect, and respond to ethics and compliance risk and to promote a culture where every LACERA employee understands their role in exercising ethical judgment and identifying and reporting ethics and compliance risk 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.

At the November meeting, the Ethics and Compliance team will pass the baton to the CECO, who will assume Program management and further its development and implementation. The Ethics and Compliance foundational team members from the Legal Office will serve as Compliance Counsel, participate in the ECC on an ongoing basis, and continue to provide advisory support to the CECO as requested.

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Ethics & Compliance Committee

LACERA

August 11, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Nathan K. Amick
Senior Internal Auditor

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Internal Audit Annual Performance Report – Fiscal Year Ended (FYE) 2026**

## BACKGROUND

The Institute of Internal Auditors' Global Internal Audit Standard 9.4 requires the Chief Audit Executive (CAE) to develop a risk-based audit plan aligned with the organization's objectives. The plan must be based on a documented assessment of organizational strategies, objectives, risks, board and senior management input, and the CAE's understanding of governance, risk management, and control processes. This requirement is also reflected in the ACRE Charter.

In June 2025, the ACRE Committee approved Internal Audit's FYE 2026 Audit Plan, which included 46 projects. Following amendments approved at the November 2025 and March 2026 ACRE meetings, the plan was revised to 34 projects.

## YEAR END STATUS

Internal Audit has made the following progress towards completion of the FYE 2026 Audit Plan:

| Project Status | Count | Weighted Credit | % of Total Projects |
|---|---|---|---|
| Completed | 30 | 28.4 | 84% |
| In Progress & Postponed | 4 | 5.6 | 16% |
| TOTALS | 34 | 34 | 100% |

### Weighted Completion Rate

Internal Audit achieved a weighted completion rate of 84%, equal to 28.4 completed-project equivalents out of 34 planned projects. This methodology recognizes substantial effort and audit work completed through FYE 2026 on engagements that were not fully completed by fiscal year-end.

**Partial credit was assigned as follows:**

- **Phase 1 Complete (50% Credit):** Two (2) projects received partial credit because their scope and complexity exceeded expectations. Each was divided into two phases. "Phase 1" was completed in FYE 2026 and included research, education, planning, stakeholder coordination, and risk assessment. The amount of work performed during this phase was equivalent to a full project. "Phase 2" will include fieldwork, testing, and reporting under the FYE 2027 Audit Plan. At 50% credit each, the two (2) projects equal one (1) completed-project equivalent, with one (1) remaining.

- **Finalizing Report (80% Credit):** Three (3) projects received partial credit because they had reached the final reporting stage. Fieldwork and evidence evaluation are complete, draft reports have been prepared, and the audit team is addressing final management comments and report language. At 80% credit each, these three (3) projects equal 2.4 completed-project equivalents, with 0.6 of a project equivalent remaining.

| Project Status | Count | Weight | Earned Credit | % of Total Projects |
|---|---|---|---|---|
| Complete | 25 | 100% | 25.0 | 74% |
| Phase 1 Complete | 2 | 50% | 1.0 | 3% |
| Project Complete - Finalizing Report | 3 | 80% | 2.4 | 7% |
| **Total Completion** | **30** | **—** | **28.4** | **84%** |

**Remaining Work**

The unfinished portion of the FYE 2026 Audit Plan totals 5.6 project equivalents, consisting of:

- In Progress – two (2) projects currently under way
- Postponed – two (2) projects that will be addressed under the FYE 2027 Audit Plan
- Phase 1 – one (1) remaining project equivalent (2 projects x 50%)
- Finalizing Report - 0.6 remaining project equivalent (3 projects x 20%)

| Project Status | Count | Weight | Remaining Credit | % of Total Projects |
|---|---|---|---|---|
| In Progress | 2 | 100% | 2 | 6% |
| Postponed | 2 | 100% | 2 | 6% |
| Remaining – Phase 1 | N/A | 50% | 1 | 3% |
| Remaining – Finalizing Report | N/A | 20% | .6 | 1% |
| **Total In Progress/Postponed** | **4** | **—** | **5.6** | **16%** |

The weighted approach more accurately reflects the work performed during the year by recognizing substantial progress on engagements that were not fully completed, while clearly distinguishing that progress from final report issuance. The complete FYE 2026 Audit Plan and related project statuses are presented on page three of this memo.

**Attachments**:

A. FYE 2026 Annual Performance Report as of June 30, 2026 - Presentation

| Internal Audit's Annual Work Plan for FYE 2026 (at August 10, 2026) | | | |
|---|---|---|---|
| Division | | Engagement Name | Status |
| **ERM PROGRAM** | | | |
| 1 | ERM Program | Hire Consultant to advise on design and development of an Enterptise Resource Management Program** | Postponed |
| **EXECUTIVE/ORGANIZATIONAL/LEGAL** | | | |
| 2 | Exec Office | Trustee Education and Travel | Finalizing Report |
| 3 | Exec Office | Los Angeles County Rehired Retirees (960) | Completed |
| 4 | Organizational | Continuous Audit Processing (CAP) | Completed |
| 5 | Exec Office | Chief Executive Officer Credit Card Audit | Completed |
| 6 | Organizational | Other Value-Added Projects | Completed |
| 7 | Organizational | Recommendation Follow-Up | Completed |
| 8 | Organizational | Risk Assessment - Revised Process | Completed |
| 9 | Organizational | Information Technology Certification Council Priorities | Completed |
| 10 | Organizational | Compliance with Policy Review Periods | Completed |
| 11 | Legal Office | Public Disclosure Forms (fka: Form 700/801 Review) | Completed |
| 12 | Legal Office | Ethics and Compliance (Hotline) | Completed |
| 13 | Legal Office / Admin | Centralized Vendor Management - Phase 1 | Phase Complete |
| **BUSINESS SERVICES - Admin Serv, HR, Systems, Info Sec** | | | |
| 14 | HR | Analysis of Human Resources' Emp. Separation Data (fka: Exit Interviews) | Completed |
| 15 | Info Sec | Disaster Recovery ** | Postponed |
| 16 | Systems | Oversight of Service Organization Controls (SOC) Audits FY 25 & 26 | Completed |
| 17 | Admin Serv | Business Continuity Management (From Prior Year) | Completed |
| 18 | Info Sec | Risk Assessment/NIST Follow-up Audit | In Progress |
| 19 | HR | Human Resources Needs Assessment (Add) | Finalizing Report |
| 20 | HR / Exec | Assessment of Section Head Recruitment | Completed |
| **INVESTMENTS & FASD** | | | |
| 21 | FASD | Readiness Assessment / Internal Controls Over Financial Reporting / Roles and Responsibilities | Completed |
| 22 | FASD | Oversight of Financial Audit FY 25 & 26 | Completed |
| 23 | FASD / Inv | Oversight of Actuarial Audit FY 25 & 26 | Completed |
| 24 | Inv | Strategic Asset Allocation | Completed |
| **OPERATIONS - Benefits, DRS, RHC, Member Services** | | | |
| 25 | Benefits / Legal | Felony Forfeitures | In Progress |
| 26 | Benefits | Unclaimed Accounts | Finalizing Report |
| 27 | Mbr Serv | Member Appointment System Audit - Phase 1 | Phase Complete |
| **INTERNAL AUDIT OPERATIONS** | | | |
| 28 | IA | Quality Assurance Improvement Program | Completed |
| 29 | IA | Internal Audit Data Analytic Development | Completed |
| 30 | IA | Management and ACRE Committee Training | Completed |
| 31 | IA | ACRE Committee Support | Completed |
| 32 | IA | Internal Audit 3-Year Roadmap | Completed |
| 33 | IA | Internal Staff Training Plan | Completed |
| 34 | IA | Continuous Audit Process Framework | Completed |

**** = These engagemenst were intiated in FYE 2026, however due competeting priorities theybeen postponed until FYE 2027**

ATTACHMENT A

# Internal Audit
# Annual Performance Report
## For Fiscal Year Ended (FYE) June 30, 2026

Prepared by:
Nathan K. Amick, Senior Internal Auditor

# Annual Report Overview

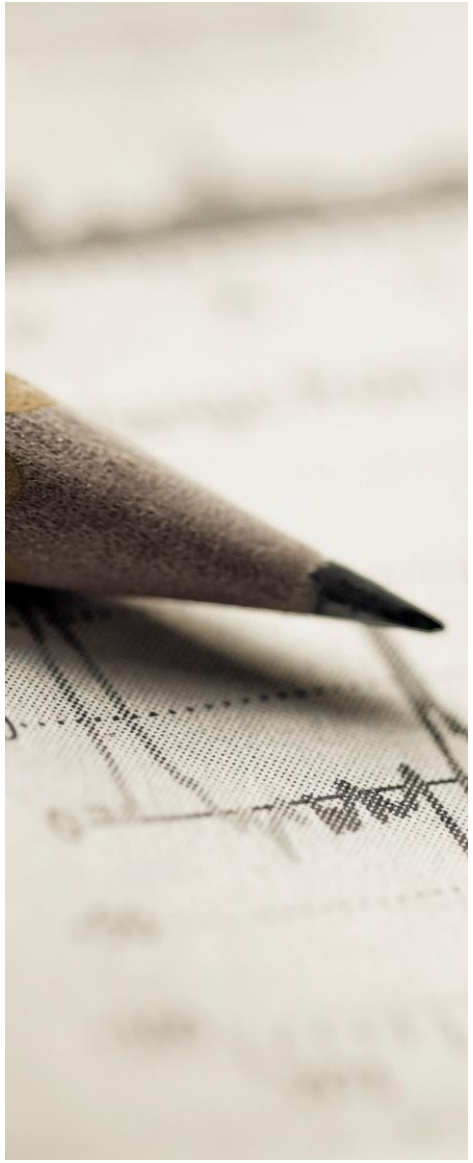
Internal Audit is pleased to present the Annual Performance Report for the FYE June 30, 2026.

AGENDA

1. **Internal Audit**
   *The Team, Certifications*
   Slide 3

2. **2026 in Review**
   *Completion Rate, Coverage, Significant Projects*
   Slide 4

3. **Internal Audit Road Map**
   *Trusted Advisors, Continuous Learners, Risk Advisors*
   Slide 11



# Internal Audit

**11**
Budgeted positions

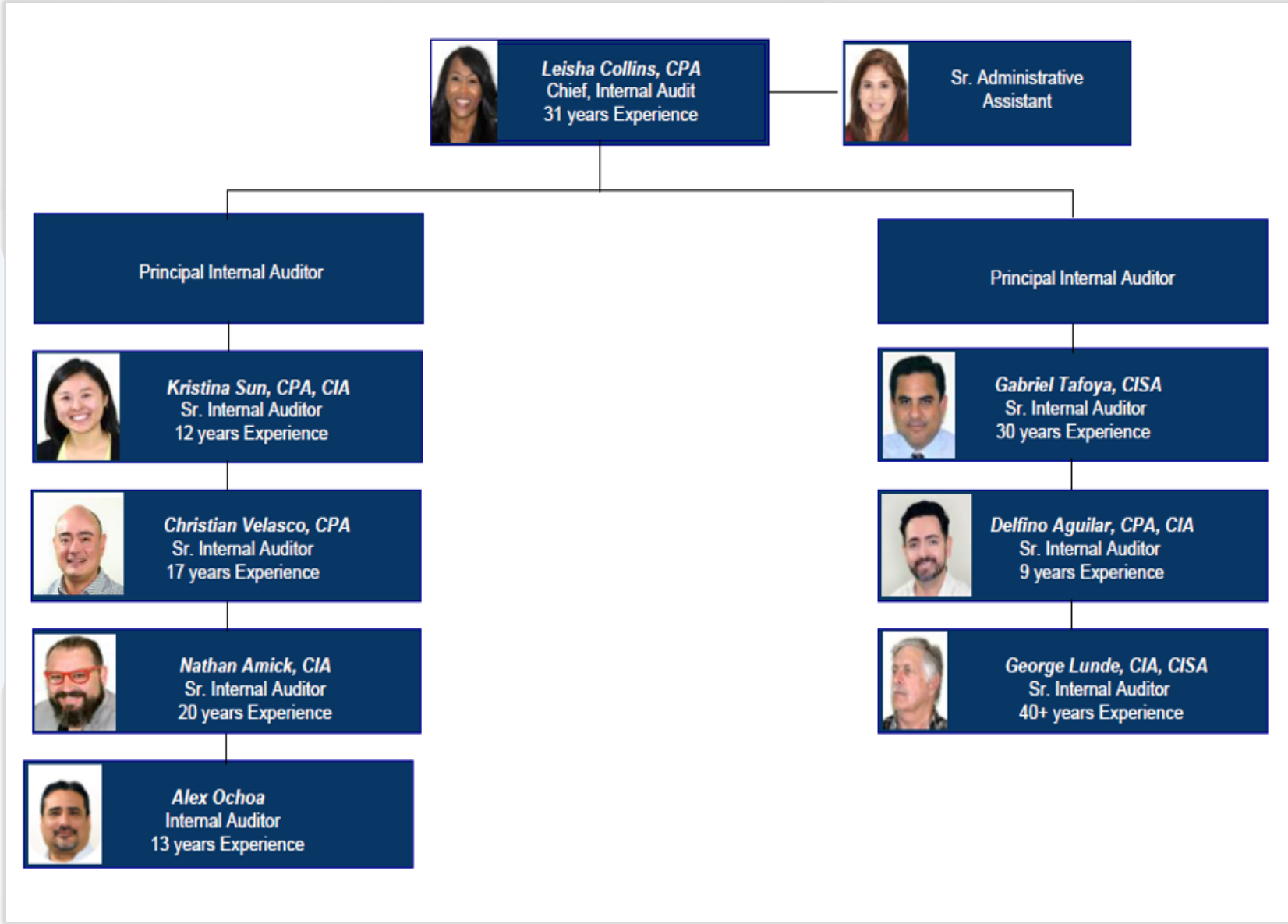
**9**
Positions filled

## CERTIFICATIONS HELD

**Certified Public Accountant (CPA) - 4**

**Certified Internal Auditor (CIA) - 4**

**Certified Information Systems Auditor (CISA) - 2**

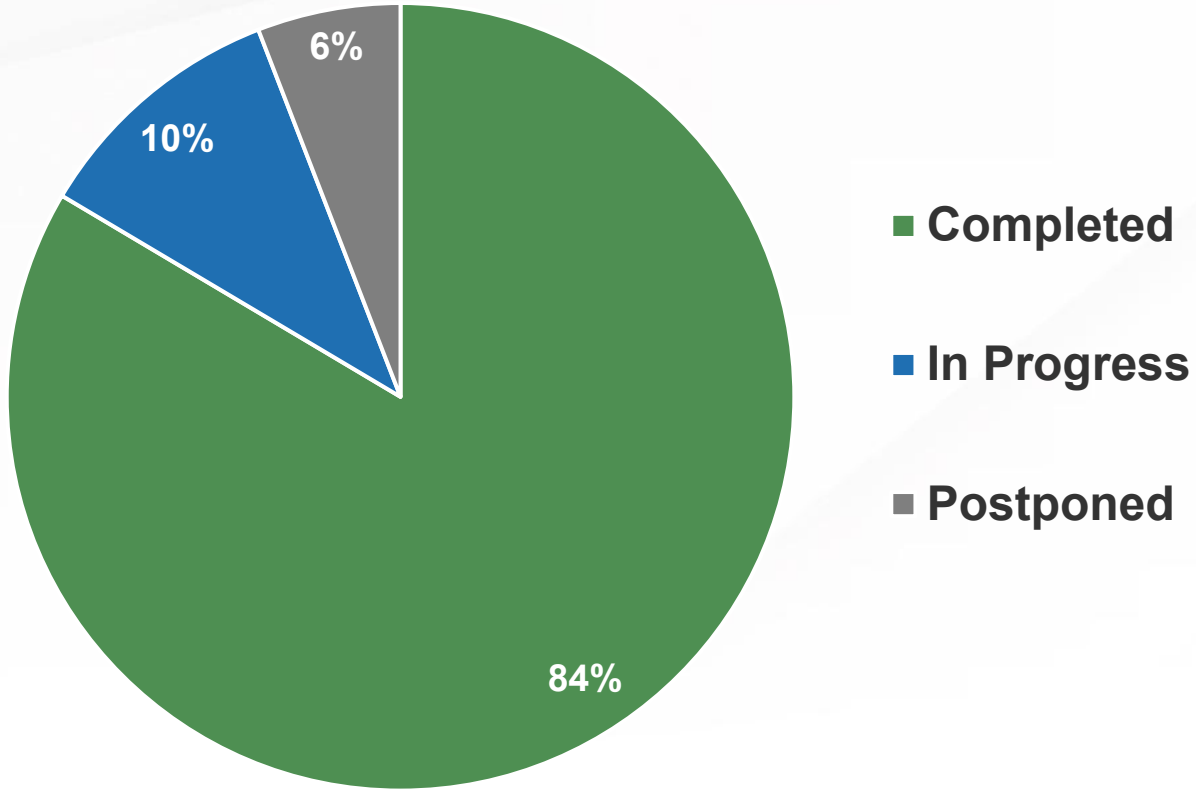


# FYE 2026
# Year In Review

# FYE 2026 Audit Plan Results

**84% of the FYE 2026 audit plan was completed.**

| 34 | 28.4 | 3.6 | 2 |
|---|---|---|---|
| Projects in plan | Completed 84% | In progress 10% | Postponed 6% |




**WHAT THIS MEANS**

28.4 of 34 planned projects were completed. 3.6 remain in progress and 2 were postponed.

# FYE 2026 Completed Engagements

**25**

Complete & fully closed out

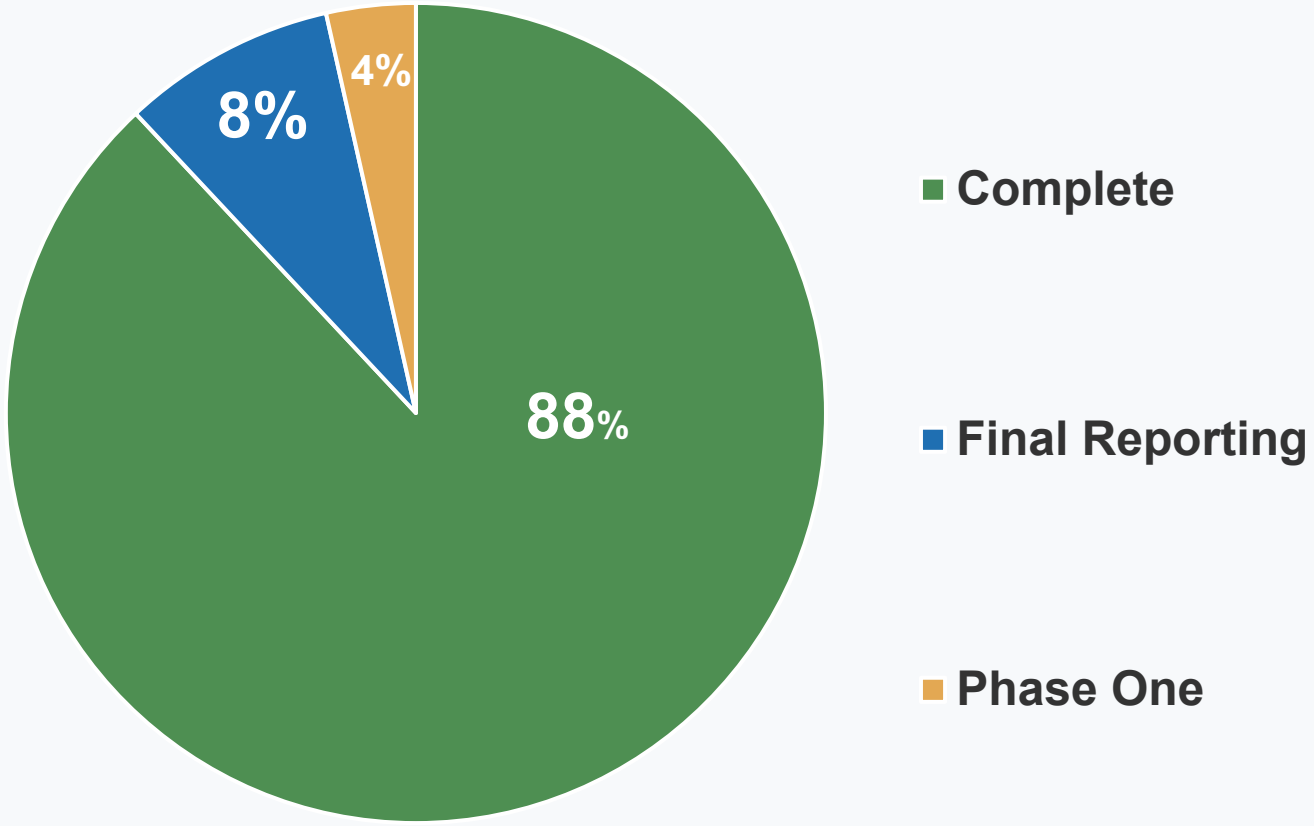
**2.4**

Final reporting - 3 projects at 80% credit each

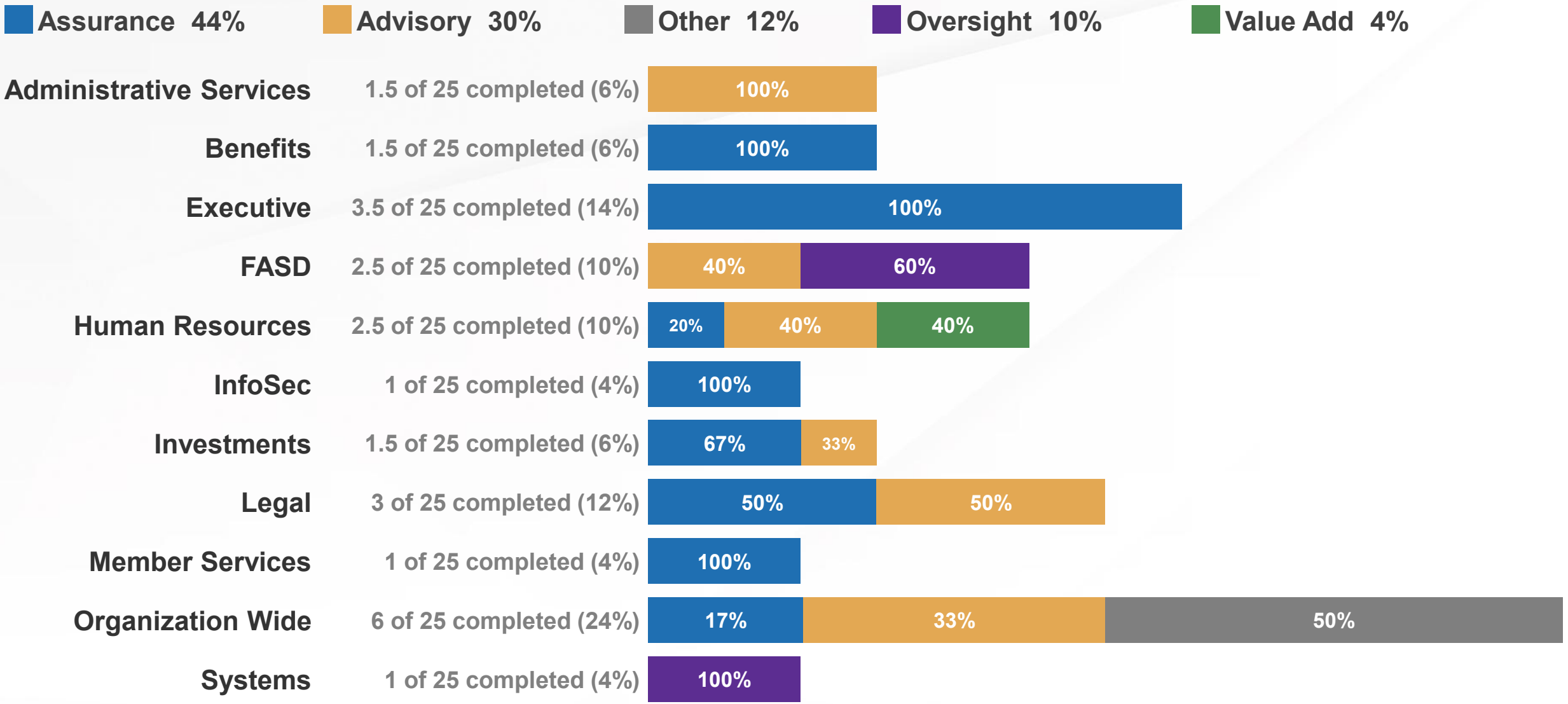
**1.0**

Phase One - 2 projects at 50% credit each

## Completed Projects – 28.4 of 34 (84%)



# Coverage and Allocation by Work Type




Listed alphabetically. Counts and shares are based on 25 completed projects: 34 total, less 2 postponed and 5 Internal Audit administrative projects.

# Status of Significant FYE 2026 Projects

| Project | Engagement Type | Division | Audit Team | Planning | Fieldwork | Draft Report | Exit Meeting | Report |
|---|---|---|---|---|---|---|---|---|
| Analysis of Human Resources' Emp. Separation Data (*fka Exit Interviews) | Value Add | HR | Internal Audit | | | | | |
| Assessment of Section Head Recruitment | Assurance | HR | Internal Audit | | | | | |
| Business Continuity Management (From Prior Year) | Advisory | Admin | Internal Audit | | | | | |
| Centralized Vendor Management | Advisory | Admin | Internal Audit | | | | | |
| CEO Credit Card Audit (Unplanned - expanded to full audit) | Assurance | Exec | Internal Audit | | | | | |
| Compliance with Policy Review Periods | Advisory | Exec | Internal Audit | | | | | |
| Disaster Recovery (*Postponed until FYE 2027*) | Advisory | InfoSec | Weaver | | | | | |
| Felony Forfeitures | Assurance | Benefits | Internal Audit | | | | | |
| HR Needs Assessment | Advisory | HR | LCW | | | | | |
| Information Technology Certification Council Priorities | Advisory | InfoSec | Internal Audit | | | | | |
| LA County Rehired Retirees (960) | Assurance | Exec | Internal Audit | | | | | |
| Member Appointment System Audit | Assurance | Mbr Srvc | Internal Audit | | | | | |
| Public Disclosure Forms (fka: Form 700/801 Review) | Assurance | Legal | Internal Audit | | | | | |
| Readiness Assessment / ICFR / Roles and Responsibilities | Advisory | FASD | CLA | | | | | |
| Risk Assessment/NIST Follow-up Audit | Assurance | IT/InfoSec | Crowe | | | | | |
| Strategic Asset Allocation | Assurance | Inv | Internal Audit | | | | | |
| Trustee Education and Travel | Assurance | FASD/Exec | Crowe | | | | | |
| Unclaimed Accounts | Assurance | Benefits | Internal Audit | | | | | |

# FYE 2026 Outstanding Projects

| Outstanding Projects From FYE 2026 Audit Plan | Status as of June 30, 2026 | Estimated Completion Date |
|---|---|---|
| Risk Assessment/NIST Follow-up Audit | Fieldwork | October 2026 |
| Felony Forfeitures | Fieldwork | October 2026 |
| Develop ERM Program | Postponed | TBD |
| Disaster Recovery | Postponed | TBD |

**4**
Outstanding projects from FYE 2026 Audit Plan

**2**
In fieldwork, with targeted completion for October 2026

**2**
Postponed, added to FYE 2027 Audit Plan

**WHAT THIS MEANS**

**Four projects remain outstanding.** Two are in fieldwork and on track for October 2026; two are postponed pending resourcing and have no confirmed date.

# Continuous Auditing Program (CAP)

- **Uses data analytics and system queries to test for fraud indicators and/or compliance requirements.**
- **Reviews 100% of relevant transactional data.**

## CONTINUOUS AUDITING PROJECTS

| Audit Project | Division | Service Type | Completion Date |
|---|---|---|---|
| Duplicate Vendor Payments | FASD | Fraud | 12/10/2025 |
| Duplicate Member Payments | FASD | Fraud | 12/10/2025 |
| LACERA Rehired Retiree 960 | Benefits | Compliance | 02/13/2026 |
| Survivor Testing | Benefits | Fraud | 05/30/2026 |
| State Street Bank Wire Transfer User Access | FASD/Investments | Compliance | 06/15/2026 |

# FYE 2026
# Internal Audit Road Map

# Internal Audit's Strategic Pillars

## IA's Strategic Pillars

Enhancing processes to position Internal Audit as **Trusted Advisors** who add value and influence operational improvements.

Developing **Continuous Learners** to build audit competencies and foster a culture of learning to deliver actionable insights.

Advancing LACERA's risk awareness as **Risk Consultants** who develop strategies to strengthen organizational maturity and resilience.

## LACERA's Strategic Pillars

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

# Trusted Advisors

Enhancing processes to position Internal Audit as Trusted Advisors who add value and influence operational improvements.

## FY 2026 ACCOMPLISHMENTS

1. **Completed 84% of FYE 2026 Audit Plan**
2. **Updated IA Operations Guide**
3. **Created New Audit Workpaper Templates**
4. **Refined Recommendation Follow-up Reporting**
5. **Formally Established Continuous Auditing Program (CAP)**

# Continuous Learners

Developing Continuous Learners to build audit competencies and foster a culture of learning to deliver actionable insights.

## FY 2026 ACCOMPLISHMENTS

1. **Develop Annual Training Plan**
2. **Complete 40 Hours of Individual Training**
3. **Quarterly Quality Assurance Improvement Program (QAIP) Meetings**
4. **Certifications**

# Risk Consultants

Advancing LACERA's risk awareness as Risk Consultants who develop strategies to strengthen organizational maturity and resilience.

## FY 2026 ACCOMPLISHMENTS

1. **ACRE Training**
2. **Management Training**
3. **Stakeholder Surveys**
4. **Formalized Annual Risk Assessment Process**

# Thank you!

**FOR INFORMATION ONLY**

June 30, 2026

Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Gabriel Tafoya
Senior Internal Auditor

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Continuous Auditing Program (CAP) – Fiscal Year 2026 Testing Summary**

**Background**
Continuous Auditing Program (CAP) testing is included in Internal Audit's approved Fiscal Year (FY) 2026 Audit Plan and is performed throughout the year to test for fraud indicators and compliance issues. CAP incorporates data analytics and system queries to perform the tests. The intention of CAP testing is to provide LACERA Management with greater visibility into processes, activities, and transactions, while adding value by means of improved compliance, risk management, and the ability to achieve business goals. CAP testing falls into two service types:

- ***Fraud Testing*** – Provides timely insight into fraud indicators
- ***Compliance Testing*** – Ensures compliance through testing transactional data against established internal control rules and transactional profiles (e.g., 960-Hour Limit Test)

Our primary data analytics tool ***Audit Command Language*** (ACL) allows us to examine large data sets to uncover exceptions, anomalies, hidden patterns, unknown correlations, and to assist with the audit process. ACL gives us the ability to review every transaction, not just sampling, which enables a more efficient analysis on a greater scale. This report provides the ACRE Committee with an update on CAP testing conducted during FY 2026.

Should any of our CAP testing identify a systematic breakdown of controls, the project would be elevated, and a full audit would be performed. In such a case, the ACRE Committee would be notified.

**CAP Testing Completed in FY 2026**

We completed five (5) CAP tests, consisting of three (3) fraud-related tests and two (2) compliance tests, with no exceptions identified. Results are communicated to division management upon completion of testing.

The list below shows recently completed CAP projects:

| CAP Projects | Division | Service Type | Completion Date | Results |
|---|---|---|---|---|
| Duplicate Vendor Payments | FASD | Fraud | 12/10/2025 | No Exceptions |
| Duplicate Member Payments | FASD | Fraud | 12/10/2025 | No Exceptions |
| LACERA Rehired Retiree 960 | Benefits | Compliance | 02/13/2026 | No Exceptions |
| Survivor Testing | Benefits | Fraud | 05/30/2026 | No Exceptions |
| State Street Bank (SSB) Wire Transfer User Access | FASD/ Investments | Compliance | 06/15/2026 | No Exceptions |

See the next pages for a detailed list of the above recently completed CAP tests that include project name, purpose, methodology, coverage period, test results, and the frequency at which the tests are performed.

## Continuous Audit Program (CAP) - Fiscal Year 2026 Testing Summary

| FRAUD TESTING | | | | | | |
|---|---|---|---|---|---|---|
| **DIVISION** | **PROJECT NAME** | **PURPOSE** | **SCOPE / COVERAGE PERIOD** | **TEST FREQUENCY** | **METHODOLOGY** | **RESULTS** |
| FASD | Duplicate Vendor Payments | Determine if duplicate vendor payments occurred during the test scope coverage period. | 100% of data for Fiscal Year ended June 30, 2025. | Annually | Using ACL, analytic tests were performed on Accounts Payable transactions recorded in the Great Plains system by analyzing combinations of vendor, invoice number, invoice date, and invoice amount to identify potential duplicate invoices and payments. | No exceptions were noted. |
| FASD | Duplicate Member Payments | Determine if duplicate member payments occurred during the test scope coverage period. | 100% of date for Fiscal Year ended June 30, 2025. | Annually | Using ACL, analytic tests were performed on transactions within the audit scope period by analyzing combinations of member ID, name, check amount, and pay period date to identify potential duplicate payments. | No exceptions were noted. |
| Benefits | Survivor Testing | Assess the effectiveness of LACERA's ability to avoid adding invalid, ineligible or fraudulent, payment recipients to the Monthly Payroll File. | 100% of the survivors added to the benefits payroll for January, February, and March 2026. | Annually | ACL was used to test Survivor, Minor Survivor, Named Beneficiary, and payee populations to verify that sufficient supporting documentation exists to substantiate the individual's relationship to the deceased member. | No exceptions were noted. |

| COMPLIANCE TESTING | | | | | | |
|---|---|---|---|---|---|---|
| **DIVISION** | **PROJECT NAME** | **PURPOSE** | **SCOPE / COVERAGE PERIOD** | **TEST FREQUENCY** | **METHODOLOGY** | **RESULTS** |
| Benefits | LACERA Rehired Retiree 960 | Ensure that LACERA rehired retirees comply with applicable CERL[1] and PEPRA[2] requirements, including adherence to the annual limitation of 960 hours worked within a fiscal year. | 100% of data for Fiscal Year ended June 30, 2025. | Annually | Using ACL, analyzed payroll data for the audit scope period to assess compliance with statutory and regulatory requirements governing rehired retirees, including limitations on hours worked, required break-in-service periods, and limited-duration employment restrictions. | No exceptions were noted. |
| FASD / Investment Office | State Street Bank Wire Transfer User Access | Ensure that user access to SSB's PaymentHub[3] and eCFM[4] applications are appropriately authorized, aligned with job responsibilities, and subject to periodic monitoring by FASD management to prevent unauthorized access and maintain effective security controls. | 100% of users with PaymentHub and eCFM access as of the point-in-time testing date of May 20, 2026. | Annually | Obtained user access listings from SSB for PaymentHub and eCFM and tested user access entitlements for appropriateness, proper authorization, and evidence of periodic management review and monitoring. | No exceptions were noted. |

[1] CERL - County Employees Retirement Law of 1937.
[2] PEPRA - California Public Employees' Pension Reform Act of 2013.
[3] PaymentHub - State Street Bank's PaymentHub is a Wire Transfer Application used to support payment processing and wire transfer activities.
[4] eCFM - State Street Bank's Enterprise Cash Flow Module is a Wire Transfer Application used in connection with cash flow and wire transfer activities.

LACERA

**FOR INFORMATION ONLY**

August 7, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Christian Velasco CV
Senior Internal Auditor

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Centralized Vendor Management Advisory Engagement – Phased Engagement Approach and Completion of Phase 1**

**Background and Purpose**

The Vendor Management Group is composed of the Procurement and Contracts Units within Administrative Services. They play a crucial role in ensuring LACERA's procurement and contracting processes are efficient and aligned with LACERA's strategic goals, through developing and managing a centralized process for the solicitation and acquisition of goods and services. Centralized Vendor Management supports how Administrative Services oversees the Vendor Lifecycle, monitors vendor performance for compliance with all relevant terms and conditions outlined in the Procurement Policy, Contract Management, and other relevant procurement documents.

The Audit Plan for Fiscal Year Ending (FYE) 2026 includes an advisory engagement of Centralized Vendor Management. The purpose of this engagement is to assist in strengthening the organization's third-party and vendor relationships, their governance, risk-assessments, and control points across the vendor management lifecycle in accordance with internal policies and best practices.

Providing this advisory engagement is essential since LACERA retains accountability for the risks associated with achieving its objectives, even when it engages a vendor to help it achieve one or more objectives. Working with vendors introduces risks that must be identified, assessed, and managed through appropriate governance, risk management, and control processes. If a third party fails to perform as contracted, participates in unethical practices, or experiences a business disruption, the primary organization may suffer repercussions.

This memorandum informs the Committee that the engagement is being performed in two phases across FYE 2026 and FYE 2027.

**Phased Engagement Approach**

The Chief Audit Executive (CAE) directed the phased approach for the following reasons:

- **Audit quality:** Due to limited Internal Audit personnel resources and changes in key management, the planning of the advisory engagement was inadvertently delayed and planning did not start until the end of FYE 2026. Phasing removes any incentive to compress substantive testing in order to meet a fiscal year deadline.
- **Transparency:** A single carryover item does not convey how much work has been completed. Phasing allows the Committee to see what has been performed and what remains. Due to the large amount of work and cooperation from Administrative Services Division Management and Staff and, along with all the time required to understand an unaudited area and process, providing this transparency is important to allow the Committee to see the work that was needed to properly prepare for this engagement.
- **Resource Accuracy:** Each phase is scoped against the fiscal year in which the work is performed, avoiding a single open engagement spanning two years.
- **Clarity for Management:** Administrative Services Management receives a documented delineation of work performed, work remaining, and anticipated timing.

Phase 1 consisted of the engagement kick-off, formal notification to Management, preliminary research and interviews, development of the process overview and engagement-level risk assessment, preparation and approval of the Planning Memo, and the entrance meeting.

Phase 2 will consist of fieldwork and control testing, development and validation of observations with Management, preliminary advisory observations (if applicable), the draft and final advisory report, and presentation of results to this Committee.

**Advisory Observations identified by both Administrative Services and Internal Audit during Phase 1:**

- Establishment and formalization of a framework, and risk assessment to rank and prioritize third parties during the monitoring process.
- Formalization and documentation of addressing third parties and strategic, reputational, ethical, operational, financial, compliance, cybersecurity, IT, legal, sustainability, and geopolitical risks.
- Formalization and documentation of existing controls to ensure completeness and accuracy of the Administrative Services vendor list.
- Utilization of the Office of Foreign Assets Control and the Sanctions List Search to address Geopolitical Risk.

Phase 1 resulted in the approved planning documentation and identified areas where Internal Audit will provide further advisory support to Administrative Services. Phase 2 will include more detailed advisory work, and the resulting advisory report will be developed and presented to the Committee at the conclusion of that phase.

## Audit Plan Reporting

Phase 1 was authorized under the FYE 2026 Audit Plan and substantially performed during July 2026. The project was reported as in progress at the June 2026 ACRE Meeting and, following its completion, is recognized with 50 percent completion credit in the FYE 2026 Audit Plan Status Report presented at the August 2026 ACRE Meeting.

Phase 2 is reflected in the FYE 2027 Audit Plan as a separate engagement with its own timeline and progress will be reported in the same manner as any other planned engagement. Because planning is complete, Phase 2 covers only the remaining testing and reporting efforts.

The two phases together constitute a single engagement with one set of objectives, one scope, and one final advisory report. The engagement is counted once for purposes of audit coverage of the Administrative Services Division and appears in each fiscal year up to the extent of the work performed in that year. Management agrees with the phasing approach.

## Next Steps

Fieldwork is anticipated to commence in August 2026, subject to resource scheduling, with results and the final advisory report anticipated for presentation to the Committee in November 2026. The status of Phase 2 will be reported through the standard Audit Plan Status Report at each ACRE meeting, and any material change to the phasing or the engagement timeline will be reported at the next regular meeting.

## Conclusion

Phasing allows Internal Audit to complete a thorough evaluation of a previously unaudited, complex, and operational process while giving the ACRE Committee clearer visibility into the status of the work. Internal Audit may incorporate this process into internal audit operations and apply it to future engagements of a comparable scale. Any such phasing would be identified in the applicable Audit Plan at the time of approval.

Internal Audit extends its appreciation to the Administrative Services Division for its cooperation and responsiveness throughout the planning phase of this engagement.

Internal Audit and Administrative Services Management will be available at the August 2026 ACRE Committee meeting to address any questions.

**FOR INFORMATION ONLY**

August 11, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Trevor Fay (BOI), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Alex Ochoa
Internal Auditor

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Information Technology Coordinating Council (ITCC) Project Prioritization Advisory Engagement Report**

## Background

Internal Audit included the ITCC Project Prioritization Advisory Engagement in the Fiscal Year (FY) 2026 Audit Plan to review the efficiency and effectiveness of LACERA's process for evaluating, prioritizing, and escalating technology and process improvement requests. The engagement focused on the framework established through the Improving Processes And Continuous Transformation (IMPACT) system, which was designed to centralize request intake, support objective scoring, and improve visibility into organizational demand and prioritization decisions.

## Engagement Result

Based on initial advisory work, Internal Audit determined that continuing the engagement as originally planned would provide limited additional value at this time. Management has established a prioritization framework through IMPACT and has begun implementation activities related to a Project Portfolio Management solution that is expected to further support the framework. Because the process is still maturing, a future engagement may be considered once the framework is further stabilized and sufficient documentation is available to evaluate the consistency of scoring, prioritization, escalation, and decision-making practices.

## Conclusion

Internal Audit closed the ITCC Project Prioritization Advisory Engagement for FY 2026 and will continue to monitor the development of the prioritization process as part of future audit planning. The attached memo was provided to the Chief Information Technology Officer, explaining the audit closure for FY 2026. This approach allows management additional time to implement and refine the process while preserving Internal Audit's ability to assess the framework once it is fully operational.

**Attachment:**

A. Information Technology Coordinating Council (ITCC) Project Prioritization Advisory Engagement

LACERA

**ATTACHMENT A**

July 1, 2026

TO: Kathy Delino
Chief Information Technology Officer

FROM: Alex Ochoa
Internal Auditor

SUBJECT: **Information Technology Coordinating Council (ITCC) Project Prioritization Advisory Engagement**

## Background

LACERA implemented Improving Processes And Continuous Transformation (IMPACT) system to centralize and standardize how technology projects and process improvement requests are submitted, evaluated, and prioritized. IMPACT was designed to support consistent decision-making by applying defined criteria to project and process requests, with escalation to the ITCC when appropriate. Due to the significance of this process, the ITCC Project Prioritization Advisory Engagement was included in Internal Audit's Fiscal Year (FY) 2025-2026 Audit Plan. The purpose of this limited scope advisory engagement was to advise management on the efficiency and effectiveness of the process used to evaluate, prioritize, and escalate technology and process improvement requests. It is essential that project prioritization practices are consistently documented and applied to:

**Support Objective Decision-Making –** Apply consistent criteria to evaluate requests based on impact, dependencies, risk, urgency, stakeholder value, and implementation effort.

- Improve Governance and Transparency**:** Clarify roles, responsibilities, escalation thresholds, and decision rights among business owners, Business Solutions, Project Management Office (PMO), executive leadership, and ITCC.
- Manage Organizational Demand**:** Provide leadership with visibility into pending requests, capacity considerations, and sequencing decisions so resources can be directed toward the highest-value initiatives.
- Strengthen Auditability**:** Maintain sufficient documentation of scoring inputs, prioritization decisions, and any executive overrides to support continuity, accountability, and future review.

The IMPACT framework represents a meaningful advancement toward a more transparent, structured, and objective prioritization process. During initial advisory work, Internal Audit reviewed the design and early implementation of the framework, including the criteria used to score requests, and the governance practices supporting project selection and escalation.

## Advisory Engagement Status

Following initial meetings and our preliminary review of this process, Internal Audit determined that ending the advisory project is appropriate at this time. Management has established a prioritization framework through IMPACT and has engaged in the selection of a Project Portfolio Management (PPM) solution that will support this framework.

Considering the prioritization framework has been newly established and the PPM solution implementation is now underway, continuing this advisory engagement as originally planned would provide limited additional value.

Accordingly, the engagement will be closed for FY 2026, and a future engagement may be considered once the process has further stabilized and sufficient documentation is available for review. Internal Audit appreciates management's cooperation during the initial advisory work and will continue to coordinate with management as the ITCC prioritization process evolves.

C: Luis Lugo
Bonnie Nolley

LACERA

**FOR INFORMATION ONLY**

August 11, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Delfino Aguilar DA
Senior Internal Auditor

Alex Ochoa
Internal Auditor

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Member Appointment Systems Audit – Phased Engagement Approach and Completion of Phase 1**

**Background & Purpose**

The Member Services Division delivers retirement counseling and member-facing services through the Member Service Center. Members schedule in-person and virtual appointments through the QFlow system, which manages appointment availability, scheduling, staff assignment, and related performance reporting. QFlow replaced LACERA's prior scheduling application in 2022, and no Internal Audit coverage has been performed since that transition.

The Audit Plan for Fiscal Year Ending (FYE) 2026 includes an audit of the Member Appointment System, which supports how members schedule and receive retirement counseling through LACERA's Member Service Center. Because QFlow has not been independently reviewed since its implementation, it could compromise the integrity and reliability of the appointment process if weaknesses exist in system configuration, access management, audit trail functionality, and supporting controls. This engagement is essential since the appointment process is a primary point of contact between LACERA and its members and directly supports the Superior Member Experience priority within LACERA's Strategic Plan.

This memorandum informs the Committee that the engagement is being performed in two phases across Fiscal Year (FY) 2026 and FY 2027.

**Phased Engagement Approach**
The Chief Audit Executive (CAE) directed the phased approach for the following reasons:

- **Audit quality:** Due to limited Internal Audit personnel resources and changes in key management, the planning of the audit was inadvertently delayed, and planning did not start until the end of FYE 2026. Phasing removes any incentive to compress substantive testing in order to meet a fiscal year deadline. This keeps Internal Audit in line with the Institute of Internal Auditors' Standards, which require sufficient, appropriate, and reasonable information in order to produce a sound opinion on the governance, risks, and controls of an assurance engagement.

- **Transparency:** A single carryover item does not convey how much work has been completed. Phasing allows the Committee to see what has been performed and what remains. Due to the large amount of work and cooperation from Member Services Division Management and Staff and, along with all the time required to understand an unaudited area and process, providing this transparency is important to allow the Committee to see the work that was needed to properly prepare for this engagement.

- **Resource accuracy:** Each phase is scoped against the audit plan year in which the work is performed, avoiding a single open engagement spanning two years.

- **Clarity for Management:** Member Services Management receives a documented delineation of work performed, work remaining, and anticipated timing.

Phase 1 consisted of the engagement kick-off, formal notification to Management, preliminary research and interviews, development of the process overview and engagement-level risk assessment, preparation and approval of the Planning Memo, and the entrance meeting.

Phase 2 will consist of fieldwork and control testing, development and validation of observations with Management, preliminary findings (if applicable), the draft and final audit report, and presentation of results to the Committee.

**Engagement Results from Phase 1**
Planning procedures during this phase establish the objectives, scope, and approach of an engagement; and was not designed to produce sufficient evidence to support a conclusion on the adequacy or effectiveness of controls. Control testing, sampling, data analytics, or substantive testwork will be performed during Phase 2.

The sole output of Phase 1 is the approved planning documentation. All findings, recommendations, and the resulting audit report will be developed during Phase 2 and presented to the Committee at the conclusion of that phase. Accordingly, there are no audit report, findings, conclusions, or opinions for Phase 1.

**Audit Plan Reporting**
Phase 1 was authorized under the FYE 2026 Audit Plan and substantially performed during FYE 2026. The project was reported as in progress at the June 2026 ACRE Meeting and, following

its completion, is recognized with 50 percent completion credit in the FYE 2026 Audit Plan Status Report presented at the August 2026 ACRE Meeting.
Phase 2 is reflected in the FYE 2027 Audit Plan as a separate engagement with its own timeline and progress will be reported in the same manner as any other planned engagement. Because planning is complete, Phase 2 of this engagement covers only the remaining testing and reporting efforts.

The two phases together constitute a single engagement with one set of objectives, one scope, and one final audit report. The engagement is counted once for purposes of audit coverage of the Member Services Division and appears in each fiscal year plan up to the extent of the work performed in that year. Division Management agrees with the phasing approach.

**Next Steps**
Fieldwork is anticipated to commence in late August 2026, subject to resource scheduling, with results and the final audit report completed by mid-October and the report, and presentation to the Committee at the November 2026 Meeting. The status of Phase 2 will be reported through the standard Audit Plan Status Report at each ACRE meeting, and any material change to the phasing, or the engagement timeline will be reported at the next regular meeting.

**Conclusion**
Phasing allows Internal Audit to complete a thorough evaluation of a previously unaudited, complex, and member-facing process while giving the Committee clearer visibility into the status of the work. Internal Audit may incorporate this process into internal audit operations and apply it to future engagements of comparable scale, and any such phasing would be identified in the applicable Audit Plan at the time of approval.

Internal Audit extends its appreciation to the Member Services Division for its cooperation and responsiveness throughout the planning phase of this engagement.

Internal Audit and Member Services Management will be available at the August 2026 ACRE Committee meeting to address any questions.

LACERA

**FOR INFORMATION ONLY**

August 12, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Delfino Aguilar DA
Senior Internal Auditor

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Recommendation Follow-Up Report – Operational**

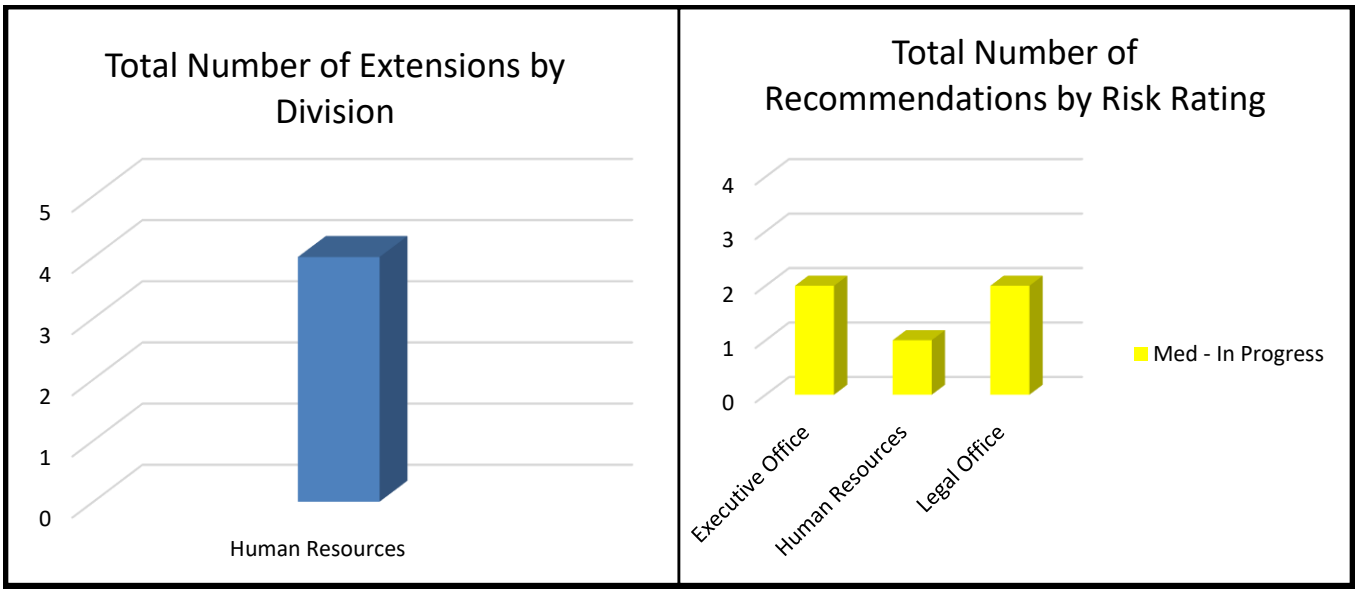
**Background**
The ACRE Charter (Charter), Section VII.A.1.i, mandates that the Committee monitor Internal Audit's recommendations to ensure management has adequately and timely addressed the identified risks. In addition, the Institute of Internal Auditors (IIA) Standard 15.2 requires internal auditors 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.

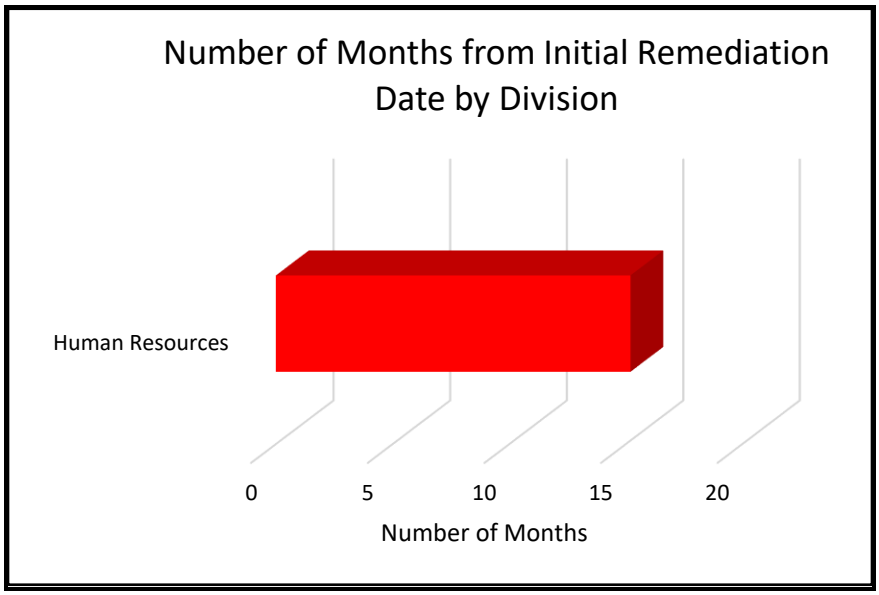
**Recommendation Follow-Up Process**
During the audit process, Internal Audit records findings and provides recommendations to mitigate risks and improve processes. Final audit reports include audit findings, recommendations, management responses, and targeted completion dates. Internal Audit tracks 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 verifies the implementation before marking the finding as complete.

**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. No additional recommendations have been issued since the June 2026 ACRE Meeting; although none have been remediated since the last meeting, four (4) of five (5) recommendations are still within the target date. One (1) outstanding recommendation has requested four (4) extensions and is overdue by 15 months. The following dashboard summarizes the status of closed and pending audit recommendations. *Refer to Attachment A for details.*

| Recommendation in Progress as of 6/16/2026 | Newly Added Recommendations | Closed Recommendations & Auditor Verified | Recommendations in Progress as of 8/12/2026 |
|---|---|---|---|
| 5 | 0 | 0 | 5 |



Staff from the respective divisions will be present at the August 2026 ACRE meeting to address any questions.

**Attachment:**

A. Recommendation Status Report – Operational

# Recommendation Status Report - Operational

# ATTACHMENT A



| Engagement | Finding | Risk | Recommendation | Status | Responbible Division | Summary of Progress as of 8/12/2026 | Report Date | Initial Target Date | New Target Date | Number of Extensions | Months Outstanding Since Initial Target Date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CAP Bonus Review FYE 2024 | 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 / Overdue | Human Resources | The Bonus Policy and Procedures were approved by the Ethics and Compliance Committee (ECC) on July 16, 2026. | 9/4/2024 | 3/31/2025 | 3/31/2026 | 4 | 15 |
| Public Disclosure Forms Audit | 7.1 Finding: Inadequate Training for Public Disclosure Forms | Med | 1. In addition to the current plan for regular training to Trustees and employees, the Legal Office should establish an organizational-wide training program for individuals required to complete disclosure forms or involved in the process. This training could be included in other training provided on the Code of Ethical Conduct or other ethics-related training.<br><br>2. The Legal Office Management should track attendance and retain training materials per FPPC Regulations and establish a schedule for updates. | In Progress | Legal Office | This report was recently issued. Agrees with Finding and Recommendation. Management agrees that there are opportunities for training enhancement in line with the Audit Observations and Recommendation above. Core Board and staff training, including training on disclosure forms and related matters, will be included in a legal presentation at the Board of Retirement offsite meeting on May 18, 2026. Staff will undertake additional steps to implement training in line with the Audit Observations and Recommendation. | 5/15/2026 | 9/30/2026 | N/A | N/A | N/A |
| Public Disclosure Forms Audit | 6.2 Finding: Form 801 – Documentation and Monitoring Deficiencies | Med | Legal Office Management should establish standardized procedures to resolve the gaps identified in this audit. The procedures should describe the required Form 801 documentation, detail payment routing and filing requirements. The Procedures should also clearly define roles and responsibilities for each division involved in the process. | In Progress | Legal Office | The Legal Office provided revised procedures to Internal Audit. The procedures are currently under review to ensure that they address the recommendation. | 5/15/2026 | 12/31/2026 | N/A | N/A | N/A |

# Recommendation Status Report - Operational

# ATTACHMENT A



| Engagement | Finding | Risk | Recommendation | Status | Responbible Division | Summary of Progress as of 8/12/2026 | Report Date | Initial Target Date | New Target Date | Number of Extensions | Months Outstanding Since Initial Target Date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LA County Rehired Retirees - FYE 2025 | PPG-505 On-Boarding Procedures Improvement | Med | Benefits Division management should establish procedures to ensure timely receipt, monitoring, and retention of PPG-505 Waiver Forms, including clear compliance ownership, a tracking and reconciliation control with County departmental HR divisions, escalation protocols for unreceived waivers, formal documentation of the DPC's intake role, and periodic management reviews. Internal Audit determined that the current Waiver Forms process has significant control gaps, rendering it inefficient and ineffective at ensuring LACERA receives proper Rehire Retiree compliance documentation. The process also lacks a specific requirement regarding Limited Duration assignments. These enhancements are necessary to ensure all rehired retirees subject to the 120-day temporary assignment requirement have a corresponding PPG-505 Waiver on file. | In Progress | Executive Office | The Benefits Division agrees with these recommendations. Benefits will develop a procedure and assign monitoring as recommended. Anticipated date of completion is December 31, 2026. | 5/14/2026 | 12/31/2026 | N/A | N/A | N/A |
| LA County Rehired Retirees - FYE 2025 | Continued Violation of PEPRA's "limited duration" language. | Med | We restate our recommendation from our previous audit reports from fiscal years ending 2021 through 2024 that:<br><br>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.<br><br>2. LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined 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. | In Progress | Executive Office | Management agrees with the finding and recommendation.Management will continue to communicate with the County CEO's Office, Department of Human Resources, and County Counsel regarding the need to comply with the "limited duration" requirement and whether policy provisions or practices can be added or strengthened to explicitly address the requirement. Management has previously discussed this issue with the Board of Retirement on several occasions.Management will return to the Board as needed. Management supports continued annual audits of limited duration by Internal Audit as an effective means of communicating information about the County's compliance with the limited duration based on actual data as to the tenure of the County's rehired retirees by department. As part of future audits, Management suggests that Internal Audit obtain copies of all annual justifications so that explanations for extensions can be reviewed. | 5/14/2026 | 6/30/2027 | N/A | N/A | N/A |

**FOR INFORMATION ONLY**

August 12, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Delfino Aguilar DA
Senior Internal Auditor

FOR: August 19, 2026, Audit Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Annual Recommendation Follow-Up Report – Strategic**

**Background**
The ACRE Charter (Charter), Section VII.A.1.i, mandates that the Committee monitor Internal Audit's recommendations to ensure management has adequately and timely addressed the identified risks. In addition, the Institute of Internal Auditors (IIA) Standard 15.2 requires internal auditors 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 responses, and targeted completion dates. Internal Audit tracks both audit recommendations and long-term strategic recommendations. Each month, Internal Audit monitors management's progress towards implementing outstanding recommendations and verifies the implementation before marking the finding as complete.

**Reporting Cadence**
Strategic recommendations and observations are centered on enterprise-wide organizational risks that may impact LACERA in the future. They are typically owned at the Executive Office Level, span multiple divisions, and depend on governance actions, policy adoption, labor negotiations, or multi-year initiatives and extend well beyond a single reporting period.

Because strategic recommendations address structural and organizational risks that require extended implementation horizons, meaningful progress is rarely observable within the interval between regular ACRE meetings. Reporting these items at every meeting produces repetitive information without providing ACRE with additional decision-useful insight. Accordingly, beginning with FYE 2027, Internal Audit will report the status of strategic recommendations and observations to the ACRE on an annual basis through this separate memorandum, in conjunction with the close of each fiscal year.

This annual cycle is an ongoing reporting practice, not a one-time presentation. Internal Audit will continue to monitor strategic recommendations throughout the year as part of its established follow-up process and will report the results to ACRE at the close of each fiscal year.

*Important Note: Should a strategic recommendation be implemented, materially change in status, escalate in risk, or become the subject of a formal acceptance of risk by the Executive Office during the interim period, Internal Audit will report that item to the ACRE at the next regular meeting rather than deferring it to the annual cycle.*

**Strategic Recommendation Activity for FYE 2026**
Of the 14 recommendations last reported, four (4) were resolved while no additional recommendations were added during this fiscal year. Therefore, ten (10) strategic recommendations remain in progress as of FYE 2026.

Table 1 summarizes the change in the strategic recommendations from July 1. 2025, through August 12, 2026. *Refer to Attachment A for details.*

| Strategic Recommendations in Progress as of 7/1/2025 | Newly Added Strategic Recommendations | Closed Strategic Recommendations Pending Auditor Verification | Strategic Recommendations in Progress as of 8/12/2026 |
|---|---|---|---|
| 14 | 0 | 4 | 10 |

| Project Name | Implemented Strategic Recommendations | Date Reported to ACRE |
|---|---|---|
| Review of HR Recruitment & Hiring Process | 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. | 11/20/2025 |
| Review of HR Recruitment & Hiring Process | Identify an individual or committee (governance structure) to oversee the alignment of the approved Workforce Plan and HR's Implementation Strategies for recruiting. | 11/20/2025 |

| Project Name | Implemented Strategic Recommendations | Date Reported to ACRE |
|---|---|---|
| Review of HR Recruitment & Hiring Process | 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. | 11/20/2025 |
| Review of HR Recruitment & Hiring Process | This recommendation has been completed. HR Management and IA developed a two phase approach to address the recommendation. The first phase is to directly implement the original recommendation. Internal Audit, in coordination with HR Management, has engaged an external consultant to conduct a divisional needs assessment review of the HR function. This engagement commenced in April 2026 and is currently underway. Furthermore, once the external consultant has completed the review, the second phase is for HR Management to work with LACERA's Vendor Management team to issue the Request for Proposal for potential vendors within a three to six months period. | 08/19/2026 |

Staff from the respective divisions will be present at the August 2026 ACRE meeting to address any questions.

**Attachment:**

A. Recommendation Status Report – Strategic

## Recommendation Status Report - Strategic



| Project Name | Report Date | Finding Title | Recommendation | Status Update as of 8/12/2026 | Overall 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. | Staff worked with Milliman to develop administrative fee projections, fee increase modeling, and potential fee policy options for future years. We presented this information to the County who inquired about applying additional reserves in the Retiree Drug Subsidy (RDS) account for administrative fees. Staff confirmed this was permissible from legal perspective but have not yet received direction from the County regarding the use of RDS funds and administrative fee policy options. | In Progress |
| **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. | Communications is finalizing the Communication Plan for Executive Office review. The final draft for Executive Officer review is expected to be completed by September 2026. | In Progress |
| **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) (now Chief Benefits Officer) 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<br>a) relocating training and metrics out of the QA Division to an operational division, and<br>b) changing the reporting structure such that the QA Division reports independently to the Administrative AEO. | LACERA selected vendor, Segal, and has recently completed the contract and Statement of Work (SOW) development phase. An initial introduction meeting was held in the month of July and we were now waiting a formal project plan. | In Progress |
| 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 Code of Ethical Conduct, 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. | Given competing organizational priorities and the planned recruitment of a Chief Ethics and Compliance Officer, with an anticipated start date of November 2, resources and attention are currently focused on establishing and supporting the new ethics and compliance function. As a result, work on the Enterprise Risk Management (ERM) program has been temporarily deferred. Following the onboarding of the Chief Ethics and Compliance Officer and reassessment of organizational priorities, LACERA will evaluate the appropriate timing and approach for advancing ERM initiatives. | In Progress |
| **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 Annual QA Production Plan for Fiscal Year (FY) 2026-2027, has been developed. Draft KPIs have been developed and will be discussed between QA Management and Executive on implementation process. | In Progress |

| Project Name | Report Date | Finding Title | Recommendation | Status Update as of 8/12/2026 | Overall Status |
|---|---|---|---|---|---|
| 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. | As of June 2026, four Divisions have published dashboards featuring key operational metrics. These dashboards provide management and executives with real-time, on-demand access to performance data. Executive Management will continue working on developing and publishing dashboards for the remaining divisions. | In Progress |
| **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. | Given competing organizational priorities and the planned recruitment of a Chief Ethics and Compliance Officer, with an anticipated start date of November 2, resources and attention are currently focused on establishing and supporting the new ethics and compliance function. As a result, work on the Enterprise Risk Management (ERM) program has been temporarily deferred. Following the onboarding of the Chief Ethics and Compliance Officer and reassessment of organizational priorities, LACERA will evaluate the appropriate timing and approach for advancing ERM initiatives. | In Progress |
| **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. | Human Resources launched supervisor and manager learning plan in May 2026. Executive Office and Human Resources team are collaborating on re-deploying various developmental pathway programs. | In Progress |
| 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. | The strategic priority goals of the Board of Retirement's 5-year Strategic Plan (FY2023-2028) does not include the implementation of a succession plan. Although work in support of "Investing in People" is foundational to creating a succession plan in the future. | In Progress |
| Recruitment and Hiring Process - Advisory | 4/7/2025 | LACERA does not have a workforce plan. | Develop an enterprise-wide workforce plan focused on evaluating employee attrition related to retirement risks and addressing current vacancy rate. | Monitoring and reporting attrition is done as part of the budget materials. Development of a workforce plan was added to the Strategic Priority Objective 3.3 and assigned work milestones are to be included in the Strategic Plan reporting to OOC throughout 2027 and 2028. | In Progress |

| Project Name | Report Date | Finding Title | Recommendation | Status Update as of 8/12/2026 | Overall Status |
|---|---|---|---|---|---|
| Recruitment and Hiring Process - Advisory | 4/7/2025 | Divisional needs assessment remains pending from April 2022 Eide Bailly recommendation. | HR should perform a divisional needs assessment to determine whether additional resources are needed. | This recommendation has been completed. HR Management and IA developed a two phase approach to address the recommendation. The first phase is to directly implement the original recommendation. Internal Audit, in coordination with HR Management, has engaged an external consultant to conduct a divisional needs assessment review of the HR function. This engagement commenced in April 2026 and is currently underway. Furthermore, once the external consultant has completed the review, the second phase is for HR Management to work with LACERA's Vendor Management team to issue the Request for Proposal for potential vendors within a three to six months period. | Complete |

LACERA

**FOR INFORMATION ONLY**

August 11, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Delfino Aguilar DA
Senior Internal Auditor

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

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

The ACRE Charter (Charter), section VII.A.1.i, states that the Committee monitors Internal Audit's Recommendations (Recos) 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 to keep the Committee informed.

As indicated in Table 1, the two (2) outstanding recommendations reported at the June 2026 ACRE Meeting have been closed.

**Table 1: Current Recommendation Status as of 08/11/2026:**

| Audit Report | Auditor | Rating | Recos as of 6/1/2026 | New Recos | Recos Closed as of 8/11/2026 | Total Open as of 8/11/2026 |
|---|---|---|---|---|---|---|
| Pen Test and VeraCode Report - Mar 2020 | Clear Skies | Med | 1 | - | 1 | 0 |
| Pen Test and VeraCode Report - Mar 2020 | Clear Skies | Low | 1 | - | 1 | 0 |
| **TOTAL** | | | **2** | - | - | **0** |

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 date of resolution of the recently remediated recommendations.

**Table 2: Recommendations Status – By IT General Control Areas**

| ITGC | Control Description | Reco Resolution Date |
|---|---|---|
| Logical Access | Controls provide reasonable assurance that logical access to applications and data is limited to authorized individuals. | 8/4/2026 |
| 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. | 8/4/2026 |

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

Staff will be available to address questions at the August 2026 ACRE Committee Meeting, but please remember that due to the sensitive nature of these IT recommendations, we cannot provide additional details.

**FOR INFORMATION ONLY**

August 7, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Delfino Aguilar DA
Senior Internal Auditor

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Observation Follow-Up Report – Advisory Engagements**

**Background**
At the Committee's direction, Internal Audit has extended its follow-up program to monitor action plans resulting from advisory engagements. This memorandum provides a status update on those items. The Institute of Internal Auditors (IIA) Standard 15.2 requires Internal Audit to confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology. This requirement applies to both assurance and advisory engagements. However, advisory observations differ from assurance recommendations because they do not carry a risk rating, a required management response, nor a committed target date. As such, where an advisory engagement results in an observation that management has agreed to act upon, Internal Audit monitors the outcome under the same methodology as assurance recommendations. Consistent with the advisory nature of these items, the observations presented in this report are those the responsible division or LACERA has identified as a high priority for its own attention.

**Advisory Observations Follow-Up Process**
Advisory observations are opportunities for improvement identified during an advisory engagement performed by Internal Audit or a third-party auditor or consultant. Advisory observations are not assurance findings. Internal Audit records each observation together with its source, the responsible division, management's stated disposition, and any timeframe if applicable.

Furthermore, Internal Audit does not apply aging metrics, extension counts, or implementation verification procedures to advisory observations *unless management requests validation or the underlying process is later included within the scope of an assurance engagement.*

**Reporting and Scope**
Since advisory observations differ from operational recommendations, combining the two populations in a single report would distort the counts, aging, and extension metrics the Committee relies upon to assess management's timeliness, and would imply a level of verification that Internal Audit does not perform on advisory work. Consistent with the Institute of Internal Auditors' (IIA) Standards 9.3 and 11.3, advisory observations are reported to the Committee through this separate memorandum using their own follow-up status report.

Observations originating from third-party auditors and consultants are identified by source in Attachment A and are explicitly identified from Internal Audit advisory items. For third-party items, Internal Audit reports the implementation status as represented by the responsible division. Internal Audit does not re-perform, validate, or express an opinion on the work of the third party, and does not verify implementation of third-party observations unless the Committee or management specifically requests that Internal Audit do so.

*Important Note: Should an advisory observation address a risk that Internal Audit subsequently determines to be significant, and management has elected not to act on it, Internal Audit may bring the underlying process within the scope of a future assurance engagement. Any recommendation resulting from that engagement will be reported and tracked as an operational recommendation rather than as an advisory observation.*

**Advisory Observation Activity**
Three (3) advisory observations were issued by our Financial Auditor, CLA (CliftonLarsonAllen LLP). One (1) advisory observation was resolved. Two (2) advisory observations remain open as of August 7, 2026.

Table 1 below summarizes the change in advisory observations from June 2026, through August 7, 2026. *Refer to Attachment A for details.*

| Advisory Observations Open as of 6/1/2026 | Newly Added Advisory Observations | Implemented or Resolved | Advisory Observations Open as of 8/7/2026 |
|---|---|---|---|
| 3 | 0 | 1 | 2 |

| Engagement | Implemented Advisory Observations | Issuing Party |
|---|---|---|
| Internal Control Over Financial Report (ICFR) Readiness Assessment | Opportunities were identified to strengthen oversight of State Street's System and Organizational Controls (SOC) reports which involve collaboration from multiple divisions. | CLA |

Staff from the respective divisions will be present at the August 2026 ACRE meeting to address any questions.

**Attachment:**
A. Advisory Engagement Observations – Status Report

## Advisory Engagement Observations - Status Report

**ATTACHMENT A**

| Engagement | Enhancement Opportunity | Advisory Enhancement | Third Party / Internal Audit | Responbible Division | Management Disposition | Summary of Progress (If Applicable) | Date of Management Update | Date Closed |
|---|---|---|---|---|---|---|---|---|
| Internal Control Over Financial Report (ICFR) Readiness Assessment | Employer Contribution Process | The Employer Contributions process should be formalized, including clearly defined cross-agency and cross-divisional roles and responsibilities, as well as procedures for receiving, reconciling, and resolving discrepancies related to employer contributions. | CLA | Organizational | In Progress | The formalization of employer contribution reconciliation process is currently under management review. | 6/9/2026 | N/A |
| Internal Control Over Financial Report (ICFR) Readiness Assessment | Third-Party Service Provider Oversight | Opportunities were identified to strengthen oversight of State Street's System and Organizational Controls (SOC) reports which involve collaboration from multiple divisions. | CLA | FASD / Investments | Completed | Management has reviewed the FY 2025-2026 SOC 1 and SOC 2 reports from State Street for completeness and accuracy. | 6/9/2026 | 6/9/2026 |
| Internal Control Over Financial Report (ICFR) Readiness Assessment | Financial Statement Presentation and Reporting | Suggestions were made to enhance the presentation and classification to certain financial statements line items and related supplementary information:<br>1. OPEB Custodial Fund Activity<br>2. Pension Trust Expense Account | CLA | FASD | In Progress | Management is reviewing the suggestions identified during the readiness assessment and will determine whether process enhancements or reporting modifications are appropriate as part of year-end financial statement preparation. | 6/9/2026 | N/A |

**FOR INFORMATION ONLY**

August 11, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Leisha E. Collins
Chief Audit Executive

FOR: August 19, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

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. Please refer to the table on page 2.

**ETHICS HOTLINE STATUS REPORT**

We have received three new cases since the May 31, 2026 report. The following report provides a summary of cases as of July 31, 2026:

| # | Report Month | Incident Category | Source | Issue | Assign To | Status | Control Deficiency |
|---|---|---|---|---|---|---|---|
| 26 | Nov 2025 | Conflict of Interest | Hotline Website | Conflict of Interest – Allegation of unfair vendor selection | Legal | Pending Closure Memo | N/A |
| 27 | Jan 2026 | Discrimination or Harassment | Hotline Website | Accusation of unfair treatment of staff | HR | Investigation in Progress | N/A |
| 29 | April 2026 | Discrimination or Harassment | Hotline Website | Accusation of unfair treatment of staff | O/S | Investigation in Progress | N/A |
| 30 | June 2026 | Acts of Omissions in Conflicts with LACERA's Values | Hotline Website | Accusation of unfair treatment of staff | Exec | Closed | No control deficiencies noted |
| 31 | July 2026 | Not LACERA-Related | Hotline Website | Not LACERA-Related | Legal | Pending Closure Memo | N/A |
| 32 | July 2026 | Contract-Vendor Relations | Hotline Website | Employee business solicitation during training session | IA | Currently Under Review | N/A |

Internal Audit has not identified any matters of fraud in any of our recent or current audit and consulting work. Staff will continue to provide updates to the Committee on future reports.

LACERA

**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**