

Memorandum

**TO: Board of Administration for the
Federated City Employees'
Retirement System**

FROM: John Flynn, CEO

SUBJECT: Internal Audit Recommendations Status

DATE: June 26, 2025

Approved

Date

RECOMMENDATION

Discussion and action to accept 25 internal audit recommendations as “Complete” in the absence of an internal auditor.

The Chief Executive Officer (“CEO”) recommends that the Board approve the closure of 25 internal audit recommendations currently listed as “Proposed Complete,” as outlined in Appendix A. This will allow ORS to mark these recommendations as Complete, enable staff and the Audit Committee to focus on the remaining open recommendations, and prepare for onboarding the new Internal Audit Services provider.

BACKGROUND

Internal audit recommendations are typically reviewed and validated by the internal auditor before being marked complete. Since the departure of the ORS Internal Auditor in March 2024, no independent audit function has been in place to perform that review.

As a result, several audit items that staff believed to be complete remained in “In Process” status. To recognize the work done, update the internal audit status report, and focus efforts on unresolved issues, the CEO recommended reclassifying those items as “Proposed Complete” and presenting them to the Joint Audit Committee.

At its May 2025 meeting, the Joint Audit Committee reviewed this approach, acknowledged the unique circumstances, and directed the CEO to bring the “Proposed Complete” items to the Boards for formal approval.

ANALYSIS

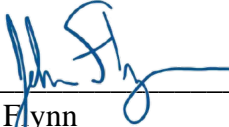
The 25 recommendations proposed for closure span seven internal audits and address operational areas such as benefit processing, member data, contributions, procurement, and internal controls.

The chart below summarizes the distribution of “Proposed Complete” items by audit, including the date each audit was issued:

Audit Ref	Audit Name	Audit Date	Proposed Complete
E2	Member Enrollment Audit	May 2021	4
E3	Member Termination Audit	August 2021	4
E4	Benefits Audit: Pay Codes	February 2022	3
E5	Reconciliation of Contributions	June 2022	3
E6	Member Contribution Rates	October 2022	3
E7	Procurement and Contract Oversight	May 2023	8
Total			25

Appendix A includes a complete list of the 25 recommendations along with staff updates supporting their closure. The CEO reviewed and accepted these updates. Should the incoming Internal Audit Services provider or the Audit Committee wish to revisit any of these items in the future, staff will coordinate with the provider to support that review.

Until the new provider is onboarded, any additional items determined by the CEO to be ready for closure will first be presented to the Audit Committee and will continue to be brought to the Board for approval.



John Flynn
Chief Executive Officer