

JAC Internal Audit Status Report

May 15, 2025

Ref#	Recommendation Summary	Status	Original Response	Updates	Priority	Date Closed
E1.F3.R1	3.1 Discuss with the Board and management the next steps that can be taken to reasonably make an effort in retrieving the overpaid amounts with the consideration of costs and benefits.	In Process	Agree: ORS will work with counsel to establish approaches and legal considerations. Whereas Benefits staff currently work on recovering such overpayments, assistance from resources skilled in this area would be welcomed, such as a collection agency. Education in probate would also be beneficial for Benefits staff.	<p>February 2025 Update: Staff makes every reasonable effort to retrieve overpaid amounts from estates. If there is an eligible survivor, overpayments are deducted from survivors' benefit. If there is no survivor, benefits are inactivated and direct deposits are terminated as soon as death notification is received. In addition, staff recovers overpayments from the estate to the extent possible. In 2024, for deaths without survivors, about 24 of 136 deaths had overpayments that were not recovered, totaling approximately \$45k. About \$26k in overpayments were recovered from estates. About \$49k unclaimed benefits owed to estates (underpayments) remain in the plans. Staff is not processing estate claim forms (DE172) due to the complexity of the form, challenge obtaining required information from estates, and cost necessary for legal support to ensure the documents are properly completed and to properly serve legal documents to the estate.</p> <p>Expected Completion Date: TBD</p> <p>Prior Year Updates: January 2022 Update: None Expected Completion Date: TBD</p> <p>February 2021 Update: Benefits staff are now processing estate claim forms (DE172). Education for staff</p>	2	

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E2.F1.R4	<p>1.4 In coordination with the PensionGold vendor (LRS), configure PensionGold to:</p> <ul style="list-style-type: none"> Show members' "preferred" phone numbers as their default contact number, instead of members' "home" phone numbers (or no phone number in some instances) in the "Advanced Search – Person" search results and Excel report downloads. Remove or archive phone numbers that were eliminated for employees in PeopleSoft. 	In Process	<p>Agree: ORS will explore options to include or indicate in PensionGold a member's preferred number to show when using the Advanced Search. In addition, ORS will explore options to remove or archive phone numbers that were eliminated for employees in PeopleSoft.</p> <p>Target Date: December 2022</p>	<p>April 2025 - Enhancement has been investigated and must be prioritized into a future release.</p> <p>NOV 2024 - Partially complete, ORS has discussed this topic with the City, ORS will open a PIR and will obtain quote for the work. ORS has not received any complaints from members regarding their contact information.</p> <p>January 2023 Update: We will check in PeopleSoft to see if they store the preferred contact number. We will continue to work with our vendor.</p> <p>Expected Completion Date: TBD</p> <p>Prior Year Updates:</p> <p>January 2022 Update: ORS is working with the LRS to explore options to include or indicate in PensionGold a member's preferred number to show when using the Advanced Search.</p> <p>Expected Completion Date: June 2023</p>	3	
E2.F1.R6	<p>1.6 In coordination with the ORS's legal counsel, update the current records retention policy to ensure it is consistent with current laws, rules, and regulations and that it is also sufficiently specific for information in PensionGold. Identify and update PensionGold accounts that may not comply with the updated records retention policy.</p>	In Process	<p>Agree: ORS will work with legal counsel to review and update the current records retention policy.</p> <p>Target Date: December 2022</p>	<p>April 2025 - recommended changes to the City's Retention Schedule was being sent to CMO.</p> <p>NOV 2024 - ORS is working with our General Counsel on this topic</p> <p>January 2023 Update: ORS continues to work on reviewing the policy and management will have ongoing meetings to discuss.</p> <p>Prior Year Updates:</p> <p>January 2022 Update: ORS is working on reviewing the current records retention policy.</p> <p>Expected Completion Date: December 2022</p>	3	

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E2.F2.R1	2.1 Merge verified duplicate member accounts in PensionGold. The merging process should track the before and after status of each account to ensure that no employment data is lost or duplicated in the merged account.	In Process	Agree: ORS will merge verified member accounts in PensionGold. The process will track the before and after status of each account to ensure that no employment data is lost or duplicated in the merged account. Target Date: December 2022	April 2025: Accounts were reviewed and the majority were found to be valid. 23 member accounts are still to be reviewed. January 2023 Update: Not provided Expected Completion Date: TBD Prior Year Updates: January 2022 Update: ORS are working with the PensionGold software vendor. Expected Completion Date: December 2022	1	
E2.F2.R4	2.4 In coordination with the implementation of recommendation 2.3, identify and correct employee accounts in PensionGold that erroneously omit employee identification numbers or have multiple employee identification numbers for the same member.	In Process	Agree: ORS will work with the PensionGold software Vendor, LRS, to address this issue. Target Date: December 2022	February 2025 Update: ORS-IT has identified members without an EMPID and those with duplicate employee identification numbers. These cases have been forwarded to the Benefits team for further investigation and resolution. January 2023 Update: ORS is researching the accounts that either do not have an employee identification number or have multiple employee identification numbers. Expected Completion Date: March 31, 2023 Prior Year Updates: January 2022 Update: ORS is working with the PensionGold software vendor. Expected Completion Date: December 2022	2	

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E2.F3.R4	3.4 Identify and implement a process to identify and correct any potential past errors where employees eligible for Tier 1 Classic membership were enrolled in a Tier 2 plan tier. This includes correcting erroneous member contribution and service credit records in PensionGold. The ORS, in coordination with the HRD, Office of Employee Relations, and the City's 11 labor unions, should also consider sending a notice to all existing Tier 2 City employees about eligibility requirements for Tier 1 Classic membership, how to identify their current plan and tier membership, how to check on the status of their CalPERS "Classic" Eligibility Forms, and how to apply for a potential correction to their current plan tier enrollment, if required.	In Process	Agree: ORS will work with OER and HR on implementing a process to identify and correct any potential past errors where employees eligible for Tier 1 Classic membership were enrolled in a Tier 2 plan tier. In addition, ORS will also work with OER and HR to explore the possibility of providing a notice to all existing Tier 2 City employees about eligibility requirements for Tier 1 Classic membership. Target Date: December 2022	April 2025 - ORS is working through the identification process. This work may require some report development, but I will report back at the next audit committee meeting. January 2023 Update: None Expected Completion Date: December 2023 Prior Year Updates: January 2022 Update: ORS is working to identify and correct any potential past errors where employees eligible for Tier 1 Classic membership were enrolled in a Tier 2 plan tier. Expected Completion Date: December 2022	2	
E3.F1.R1.b	b. Omission of information regarding options for employees who change jobs at the City and become members of a different City plan (e.g., a Federated Plan member takes a job that entitles him or her to membership in the Police and Fire Plan). This correction should be done in conjunction with the implementation of Recommendations 1.5b and 1.6a to ensure that the information is supported by the Municipal Code and citywide and ORS written policies and procedures.	In Process	Agree: ORS is working with OER Target Date: December 2023	April 2025 - (1) Benefits is running a Psoft report biweekly to identify employees who've moved between PF & Fed, (2) Benefits is notifying employees of their service purchase options within 30 days of their transfer; (3) Benefits updated service purchase documents to include info that ROC is required at the time of separation/retirement for any monies remaining in a plan if they're not vested; (4) Benefits is implementing a new flag for members with dual membership so appropriate action is taken at the time of separation/retirement re: membership in both plans #4 is expected to be completed by June 2025 February 2025 Update: Benefits staff is developing a business process in coordination with Human Resources to identify employees who change jobs at the City and become members of a different City plan. As part of the process, staff will notify employees of membership options, including return of contributions from the former plan and/or service purchase. Expected Completion Date: July 2025	1	

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E3.F1.R2	1.2 After implementing Recommendation 1.1, in coordination with the ORS's legal counsel, the Office of Employee Relations, and the HRD, decide whether to send inactive plan members a corrected Return of Contributions Packet, with an explanation of the corrections (e.g., that unless a member has 20 or more years of Federated Plan service credit, the Municipal Code requires that the ORS terminate the member's account if he or she does not submit a completed Distribution Election Form within 90 days of notice from the ORS and that the funds will be rolled over into an appropriate retirement plan) and an extended timeline for the impacted members' elections.	Not Started	Agree: ORS is working on this issue. Target Date: December 2023	May 2025 - Internal ownership was reassigned and will receive focus during the next quarter. January 2023 Update: None Expected Completion Date: December 2023	2	
E3.F1.R3	1.3 After implementing Recommendation 1.2, review and verify the service credit and account balances of the 605 accounts shown in Exhibit 3. Unless updated information from the member or corrected information in PensionGold indicates otherwise, terminate the ineligible member accounts in PensionGold, and refund or rollover, in accordance with the Municipal Code, the estimated \$5.4 million in member contributions and accumulated interest. To accomplish this in a timely manner, the ORS should consider contracting for specialized consultant services (i.e., contracting with a third party that specializes in the direct rollover of contributions of unresponsive or missing plan members into an appropriate, Board-approved retirement plan, in accordance with Section 401(a)(31)(B) of the Internal Revenue Code and IRS Notice 2005-05).	Not Started	Agree: ORS is working on this issue. Target Date: June 2024	May 2025 - Internal ownership was reassigned and will receive focus during the next quarter. January 2023 Update: None Expected Completion Date: June 2024	2	

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E3.F1.R4	1.4 Review and verify the service credit and account balances of the 93 active PensionGold accounts that were noncontributing as of February 12, 2021, excluding the ones included among the 605 accounts and verified in completing Recommendation 1.3. If the ORS confirms that the members have separated from employment, take appropriate steps to administer the return of contributions process. Otherwise, in coordination with the Finance Department, HRD, and Office of Employee Relations, determine corrective action required to ensure that the impacted employees' accounts accurately reflect past and future pension plan contributions. This recommendation should be implemented in conjunction with Recommendation 1.6f to ensure that the ORS has a process to identify and address instances of active member accounts that do not show ongoing plan contributions and for which the HRD has not provided a NOS form to show that the employee has separated from City service.	Not Started	Agree: ORS is working on this issue. Target Date: December 2023	May 2025 - Internal ownership was reassigned and will receive focus during the next quarter. January 2023 Update: None Expected Completion Date: December 2023	2	
E3.F1.R5.b	b. Assess whether there is need to revise the Municipal Code or relevant City policies and procedures to clarify the election options that may or should exist for City employees who change jobs at the City and become members of another City retirement plan without the requisite years of service to remain members of their first plan. This includes assessing whether there is a need to formally establish the Federated and Police and Fire Plans as reciprocal plans. Implement corrective action, including any necessary steps to amend the Municipal Code, to address the outcome of this assessment. This recommendation should be completed in conjunction with Recommendation 1.6a.	In Process	Agree: ORS is working on this issue with OER. Target Date: December 2023	May 2025 - ORS management will schedule a discussion with the CMO liaison to discuss the concerns raised in this audit about the City's process January 2023 Update: None Expected Completion Date: December 2023	3	

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E3.F1.R6a	a. Include information regarding how to administer member accounts of City employees who change jobs at the City and become members of another City plan (e.g., a member of the Federated Plan takes a new job and becomes a member of the Polices and Fire Plan) without meeting the minimum vesting requirements of their original plan (e.g., 5 years of service credit). The revision should discuss how to detect such employment and membership changes, especially if the HRD does not provide a NOS form for such employees, how the accounts should be classified in PensionGold, and whether an employee who changes plans without meeting the minimum service credit requirements of his or her original plan should be paid out and terminated given that there is no apparent reciprocity agreement between the Federated and Police and Fire Plans. This recommendation should be completed in conjunction with Recommendation 1.5b.	In Process	Agree: ORS is working on this issue. Target Date: December 2023	<p>April 2025 - Same status update as E3.F1.R1.b</p> <p>February 2025 Update: Benefits staff is developing a business process in coordination with Human Resources to identify employees who change jobs at the City and become members of a different City plan. As part of the process, staff will notify employees of membership options including return of contributions from the former plan and/or service purchase.</p> <p>Expected Completion Date: July 2025</p>	3	
E3.F1.R6e	e. Implement a process, using PensionGold preferably, to efficiently track and terminate the membership of missing and/or unresponsive plan members who have separated from City service without meeting minimum eligibility requirements stated in the Municipal Code. To design the process, refer to the Municipal Code, IRS Notice 2005-5, Department of Labor regulations and guidance under 29 CFR § 2550.404a-2, and the U.S. Department of Labor guidance regarding missing participants (Appendix 6).	In Process	Agree: ORS is working on developing a process. Target Date: December 2023	<p>April 2025 - Members are inactivated in PG, however, at this time, ORS does not process an ROC or transfer contributions out of the system. Skip Trace was implemented in Dec 2024 to help find missing members.</p> <p>Management to confirm with legal that these laws/regulations apply to ORS and what the next steps are to implement a policy/process</p> <p>January 2023 Update: None Expected Completion Date: December 2023</p>	1	

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E4.F1.R2.a	<p>a. Creation of policies and procedures and assignment of roles and responsibilities to:</p> <p>☐ Define the ORS's measurable business goals and objectives for posting plan members' pensionable salaries and pensionable hours worked in their PensionGold accounts (e.g., only pensionable salaries and hours, consistent with the OER list may be included in PensionGold accounts; pensionable salaries and hours worked must be recorded in the same period as shown in PeopleSoft).</p> <p>☐ Specify the specific circumstances that require spreading the City's and pension plan members' plan contributions in members' PensionGold accounts (i.e., whether and when such contributions are to be spread when there are retroactive changes in PeopleSoft to corresponding, pensionable salaries and pensionable hours worked that must be spread).</p> <p>☐ Periodically monitor member accounts in PensionGold to identify and timely correct any errors in the posting of pensionable salaries and pensionable hours worked. This should include specific steps (i.e., data analytic procedures) to identify and correct errors and address underlying process deficiencies.</p>	In Process	<p>Agree: Prior to implementing recommendation 1 fully, ORS has started working with Finance to identify and correct past erroneous records.</p> <p>ORS is working on developing a formal plan to identify, prioritize, and correct past and future erroneous records of pensionable salaries and pensionable hours worked in plan members' PensionGold accounts.</p> <p>Target Date: December 2022</p>	<p>May 2025 - PIR 128494 has been created to create a function in PG to process a retro pay file (prior pay period adjustments) to ensure Pensionable salaries are spread to the appropriate pay period. ORS IT checks that the transmittal file has been posted to each plan for every pay period, and confirms the number of records processed is within a reasonable range. ORS Accounting also has a process to reconcile contributions for each pay period between PeopleSoft and PensionGold.</p> <p>January 2023 Update: Not provided Expected Completion Date: TBD</p>	3	
E4.F1.R2.b	<p>b. Verification and correction of plan members' accounts based on the IAD's documentation for this audit, which was provided to ORS staff and management, and based on ORS management's risk tolerance, a decision on how far back (i.e., prior to July 1, 2020) to extend the IAD's analytic procedures, or similar procedures, to identify and correct errors in the pensionable salaries and pensionable hours worked posted to plan members' accounts in PensionGold.</p>	Not Started		<p>May 2025 - Exec management will discuss with IT and Accounting to determine if this is applicable and next steps before next audit meeting.</p> <p>January 2023 Update: Not provided Expected Completion Date: TBD</p>	2	

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E4.F1.R3	1.3 In coordination with the ORS's legal counsel, OER, Finance Department, IT Department, HRD, and the City's 11 bargaining units (unions), draft, approve, and publish on the City's website an agreement that clarifies the specific roles, responsibilities, and procedures to implement the OER's list of pay codes (Appendix 1). The document should assign roles and responsibilities and address the following areas, at minimum:	Not Started		May 2025 - ORS management will schedule a discussion with the CMO liaison to discuss the concerns raised in this audit about the City's process.	3	
E4.F1.R3.a	a. Maintenance (e.g., timely entering and/or removal of pay codes, updating references to the City's Municipal Code, specifying the exact effective and/or expiration date of the document)	Not Started	Agree: ORS will endeavor to develop an agreement as outlined in the recommendation with OER, Finance Department, IT Department, HRD, and the City's 11 bargaining units (unions). Target Date: December 2023	May 2025 - ORS management will schedule a discussion with the CMO liaison to discuss the concerns raised in this audit about the City's process.	3	
E4.F1.R3.c	c. Dissemination and notification (e.g., timely notifying and sending updates to designated ORS staff and union representatives)	Not Started		May 2025 - ORS management will schedule a discussion with the CMO liaison to discuss the concerns raised in this audit about the City's process.	3	
E4.F1.R3.e	e. Archiving (i.e., making the prior versions of the authorized list and relevant policies and procedures accessible)	Not Started		May 2025 - ORS management will schedule a discussion with the CMO liaison to discuss the concerns raised in this audit about the City's process.	3	
E4.F1.R3.f	f. Reporting noncompliance (e.g., a process for employees and/or stakeholders, including the ORS, pensionable pay codes and plan members' accounts)	Not Started		May 2025 - ORS management will schedule a discussion with the CMO liaison to discuss the concerns raised in this audit about the City's process.	3	
E5.F1.R2.b	b. Whether the ORS should focus and rely on the use of manual reviews of plan members' PensionGold accounts on an as needed basis to identify and correct erroneous data or whether the ORS should focus on developing automated processes and analytics to ensure that contributions data are entered accurately and timely in PensionGold.	In Process		February 2025 Update: To support the Accounting team in manually reconciling records between the PeopleSoft and PensionGold systems, the EMPID field was added to the PeopleSoft report. This enhancement allows the team to efficiently compare data between the two systems in Excel for the majority of records. However, for the outliers, a thorough analysis using the Arbutus tool revealed that the data in PeopleSoft and PensionGold is recorded differently, requiring manual reconciliation for these exceptions. January 2023 Update: Not provided Expected Completion Date: TBD	1	

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E7.F1.R3	1.3 Communicate policies that define the roles and responsibilities for authorizing contracts to ORS staff	In Process		<p>April 2025 - In October 2024, ORS attended a training provided by Purchasing & Risk Management as part of the response to the City Auditor's recommendation that ORS should be trained on procurement and contracting policies and procedures. The training covered topics related to both Purchasing and Risk Management, including: Public Procurement Guiding Principles, Governance, Procurement Methods Overview (P-Card, RFQ, RFB, RFP) Purchasing Thresholds, Typical Procurement Steps, Vendor Management, Why the City Has Insurance Requirements, When Should Retirement Services Engage Risk Management, The Differences Between the Simpligov Digital Forms Used by Risk Management.</p> <p>ORS Specific Training is under development and expects to be delivered in July.</p> <p>Will be completed with City Audit #24-03#02</p>	1	
E7.F1.R4	1.4 Assign overall responsibility for procurement oversight to an existing ORS staff position.	In Process		<p>April 2025 - A budgeted position for a Program Manager has been approved by both boards. Part of the job responsibilities will include overall procurement oversight</p>	1	