

LACERS

**LA CITY EMPLOYEES'
RETIREMENT SYSTEM**

**Audit Committee Agenda
REGULAR MEETING
TUESDAY, APRIL 14, 2026
9:15 A.M.
LACERS BOARDROOM
977 N. Broadway
Los Angeles, CA 90012**

Chair:

Sung Won Sohn

Committee Members:

Thomas Moutes

Susan Liem

Manager-Secretary:

Todd Bouey

Executive Assistant:

Ani Ghoukassian

Legal Counsel:

City Attorney's Office Public Pensions General Counsel Division

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www.LACERS.org

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Board in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a public record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

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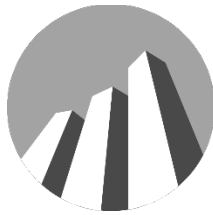
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- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA
- II. APPROVAL OF MINUTES FOR THE MEETING ON JULY 8, 2025 AND POSSIBLE COMMITTEE ACTION
- III. RESULTS OF THE FISCAL YEAR 2024-2026 WORKPLAN AUDITS AND POSSIBLE COMMITTEE ACTION
- IV. OTHER BUSINESS
- V. NEXT MEETING: The next meeting of the Audit Committee is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.
- VI. ADJOURNMENT



LACERS

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**Board of Administration Agenda
SPECIAL MEETING
TUESDAY, APRIL 14, 2026
9:15 A.M.
LACERS BOARDROOM
977 N. Broadway
Los Angeles, CA 90012**

President:

Annie Chao

Vice President:

Janna Sidley

Commissioners:

Thuy Huynh

Susan Liem

Thomas Moutes

Gaylord "Rusty" Roten

Sung Won Sohn

Manager-Secretary:

Todd Bouey

Executive Assistant:

Ani Ghoukassian

Legal Counsel:

City Attorney's Office Public Pensions General Counsel Division

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- VI. ADJOURNMENT

MINUTES OF THE REGULAR MEETING
AUDIT COMMITTEE
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

July 8, 2025

9:38 a.m.

PRESENT:	Chair:	Sung Won Sohn
	Committee Member:	Janna Sidley
	Legal Counselor:	Miguel Bahamon
	Manager-Secretary:	Todd Bouey
	Executive Assistant:	Ani Ghoukassian

The Items in the Minutes are numbered to correspond with the Agenda.

Commissioner Moutes joined the Audit Committee meeting. Any votes were taken by Audit Committee members only.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Chair Sohn asked if there were any public comments on matters within the Committee's jurisdiction, to which there were no public comment cards received.

II

APPROVAL OF MINUTES FOR THE MEETING OF FEBRUARY 25, 2025 AND POSSIBLE COMMITTEE ACTION – Committee Member Sidley moved approval, and adopted by the following vote: Ayes, Committee Members Sidley, and Chair Sohn -2; Nays, None.

III

PRESENTATION OF REQUIRED AUDIT COMMUNICATIONS FOR FISCAL YEAR ENDED JUNE 30, 2025 BY EXTERNAL AUDITOR, BAKER TILLY US, LLP – Colin Tran, Internal Auditor III, and Kory Hogan, CPA Audit Engagement Principal, with Baker Tilly US, LLP presented and discussed this item with the Committee for 39 minutes.

IV

OTHER BUSINESS – There was no other business.

V

NEXT MEETING: The next Audit Committee Meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.

VI

ADJOURNMENT – There being no further business before the Committee, Chair Sohn adjourned the meeting at 10:18 a.m.

Sung Won Sohn
Chair

Todd Bouey
Manager-Secretary



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO AUDIT COMMITTEE

MEETING: April 14, 2026

FROM: Todd Bouey, General Manager

ITEM: III

**SUBJECT: RESULTS OF THE FISCAL YEAR 2024-2026 WORKPLAN
AUDITS AND POSSIBLE COMMITTEE ACTION**

ACTION **CLOSED** **CONSENT** **RECEIVE & FILE**

Recommendation

That the Committee review and approve Internal Audit's findings and recommendations resulting from its recently completed audits.

Executive Summary

Internal Audit has completed all seven planned special audits for Fiscal Year (FY) 2024 to 2026. We previously presented on three of the seven audits and are now sharing the results of the remaining four audits as follows:

- Service Purchase
- Cash and Short-Term Investments
- Receivables
- Liabilities

These audits were part of Internal Audit's approved FY 2024-2026 Workplan to address potential risks found in the operational risk assessment we conducted in 2023. Both staff and Board members participated in the survey and gave their views about which areas they believed to be higher risk for management controls. The primary objective of these audits was to determine whether management controls were in place, adequate, and working as intended. Internal audit also made recommendations to help with efficiency and compliance where appropriate.

Discussion

Overall, the audits found that controls were generally in place and working effectively. However, opportunities for improving controls and processes were also identified. We highlighted the overall recommendations in each area below:

1. Service Purchase

To improve transparency and efficiency, detailed calculation sheets for service purchase contracts can be provided to Members. This breakdown would clarify lump sum and interest totals, ensure Member trust, and allow staff to verify the pension administration system's accuracy. Additionally, direct relationships with outside agencies can be established to expedite the verification process and prevent delays beyond the standard eleven-month timeline.

2. Cash and Short-Term Investments

While staff currently review property management financial statements, there is no current process to trace costs back to original invoices. Establishing a routine audit of these source documents will ensure that all charges are accurate, reasonable, and fully supported by supporting documentation.

3. Receivables and Liabilities

Rather than maintaining a stance of passive acceptance toward custodian bank statements, consider performing an analytical review of investment income and expenses to identify and investigate unusual fluctuations or discrepancies. Establishing this regular variance analysis will deepen the fund's understanding of its financial data and provide a necessary internal safeguard to verify that custodian reporting remains accurate and consistent.

For a more comprehensive analysis of these findings, including testing methodologies and background of each area, please refer to the detailed audit presentation attached to this report.

Prepared By:

Colin Tran, Internal Auditor III

FISCAL YEAR 2024-26

INTERNAL AUDIT WORKPLAN RESULTS

Executive Summary

Background

Internal Audit has completed all seven planned special audits for Fiscal Year (FY) 2024-2026. Internal Audit previously presented on three of the seven audits and are now sharing the results of the remaining four audits as follows:

- Service Purchase
- Cash and Short-Term Investments
- Receivables
- Liabilities

The primary objective of these audits was to determine whether management controls are in place, adequate, and working as intended. Internal Audit also made recommendations to help with efficiency and compliance where appropriate.

Executive Summary

Overall Assessment

The audits for all four areas found that internal controls were generally in place and working effectively. However, opportunities for improving controls and processes were also identified as part of the audit and will be detailed in the following recommendations made by Internal Audit.

Service Purchase

Background

LACERS allows Members to purchase service credits to help with retirement eligibility or increase retirement benefits. This is offered to Members in the following situations:

- **Government Service**

- Full-time employment with other governmental entities (military service and other municipalities).
- Uncompensated maternity leave from the City.

- **Public Service Buybacks**

- Approved leaves without pay from the City.
- Service Credit lost due to a Divorce or Dissolution of Domestic Partnership.

- **Back Contributions**

- Part-time or temporary City employment when not a member of one of the three City Retirement Systems.
- Workers' Compensation temporary disability time.

- **Re-deposits**

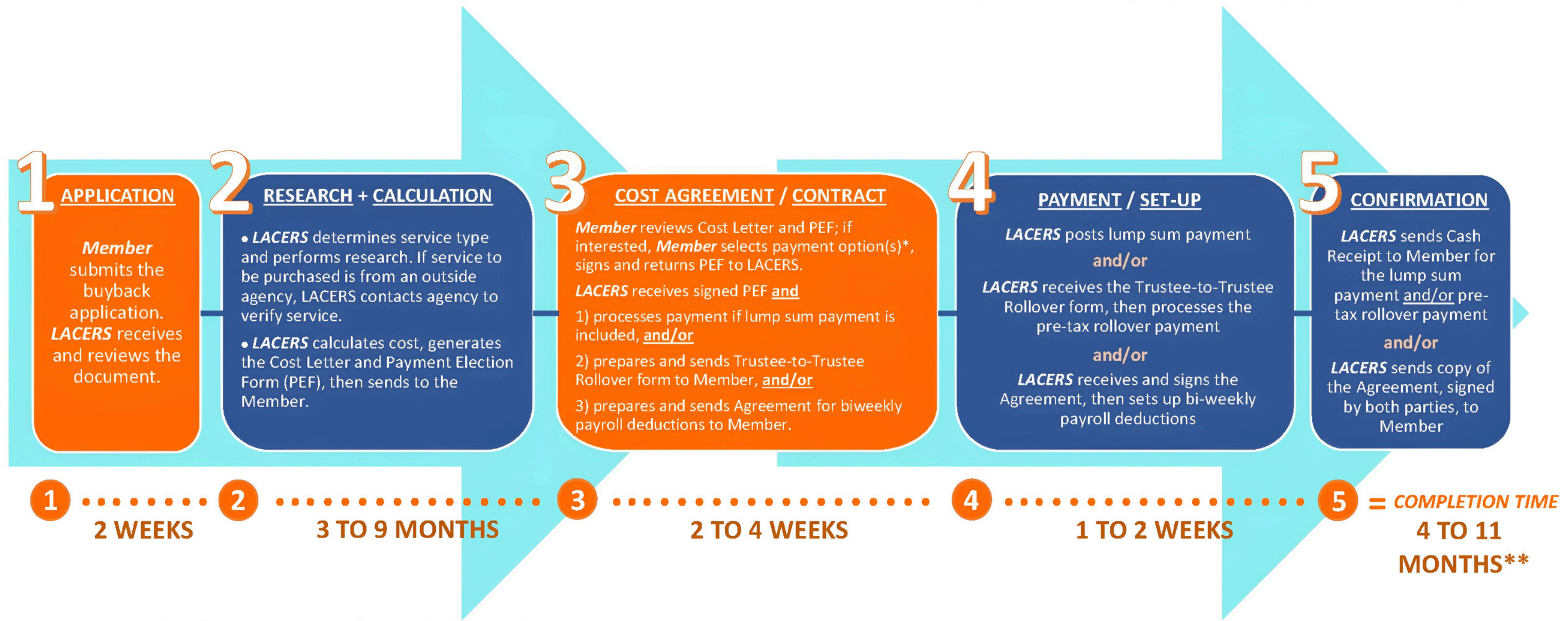
- Re-depositing previously withdrawn contributions after returning to City employment.

Service Purchase



SERVICE CREDIT PURCHASING PROCESS

The process below is a general estimate of the timeframe to complete a service credit purchase. Factors such as Member response and outside agency response may expedite or delay the process.



NOTE: Orange box denotes action performed by the Member.

*There are *three* available payment options: 1) lump sum, 2) trustee-to-trustee rollover, and 3) bi-weekly payroll deductions. Member may select more than one option.

For service purchase types that do not require service verification from an outside agency, the process takes approximately **4 to 5 months to complete.

Service Purchase

Objective, Scope, and Methodology

Test of Internal Controls

1. Internal Audit gained an understanding of the overall process by interviewing staff within the Service Processing Section (SPS).
2. Internal Audit selected samples for each type of service purchase previously mentioned with a focus on back contributions and government service buybacks.

Service Purchase

Objective, Scope, and Methodology

Test of Internal Controls

For each sample selected Internal Audit tested the following attributes of internal controls to see if they were in place and working effectively:

1. Proper review of service purchase contract application for correct sign-off and matching information.
2. Review of each applicant's eligibility for service purchase.
 - a. Back Contributions - Confirmation that the Member was working for the City at a certain time but not a Member of LACERS.
 - b. Government Buyback - Confirmation from other government entities to confirm the length of employment.
3. Recalculation of the cost of the service purchase contracts including actuarial assumptions and interest rates used.
4. Tracking of payments for open balances.
5. Timeliness of the processing of service purchase contracts.

Service Purchase

Detailed Audit Results

Finding #1

When the service purchase contract is presented to Members, it can be unclear how LACERS determined the calculation for the cost of the contract. Lump sum and interest amounts are shown only as aggregate numbers.

Service Purchase

Detailed Audit Results

Recommendation #1

Present the service purchase contract with a calculation sheet that shows a breakdown of the cost basis and interest. This would give Members assurance that LACERS is requesting a fair amount. In addition, a cost breakdown would allow staff to review and recalculate cost amounts that are determined within the pension administrative system.

Service Purchase

Detailed Audit Results

Finding #2

The timeline for processing a service purchase contract can sometimes be delayed over the estimated four to eleven month period. This is typically when there is a need to verify information with an outside agency.

Service Purchase

Detailed Audit Results

Recommendation #2

Whenever possible, establish a line of direct communication with frequently requested outside agencies. With formal relationships, the confirmation process can be expedited and outside agencies would mutually benefit.

CASH AND SHORT-TERM INVESTMENTS

Background

LACERS considers investments with a maturity of 12 months or less to be short-term investments.

Type of Cash and Short-Term Investment	FY25	FY24	FY23
Cash with City Treasurer	\$7,058,000	\$5,271,000	\$4,718,000
Cash in Building Operating Account	\$208,000	\$392,000	\$2,284,000
Collective STIF	\$480,485,000	\$448,538,000	\$331,854,000
International STIF	\$47,542,000	\$34,227,000	\$29,072,000
Future Contracts Initial Margin and Collaterals	\$54,877,000	\$49,103,000	\$59,860,000
Total	\$590,170,000	\$537,531,000	\$427,788,000

CASH AND SHORT-TERM INVESTMENTS

Background

The following is a breakdown of each type of cash and short-term investment:

- **Cash with City Treasurer**
 - Cash with the Treasurer is composed of coins, currency, checks, electronic fund transfers, and credit card transactions that are debited to LACERS Funds. This account is used to pay expenses and invoices for LACERS such as vendors, office supplies, events, etc.
- **Cash in Building Operating Account**
 - This account is used to disburse funds to Property Management for any repairs, maintenance, and capital improvements related to the new building.
- **Short-Term Investment Funds**
 - Short-term investment funds represent cash held with LACERS' custodian bank and are invested daily to generate a monthly payout based on performance.

CASH AND SHORT-TERM INVESTMENTS

Objective, Scope, and Methodology

Test of Internal Controls

1. Internal Audit gained an understanding of the overall process by interviewing staff within Fiscal Services, Administration, and Investments.
2. Internal Audit selected samples for each type of cash and short-term investment previously mentioned.

CASH AND SHORT-TERM INVESTMENTS

Objective, Scope, and Methodology

Test of Internal Controls

- For all cash accounts Internal Audit obtained a listing of all bank accounts associated with LACERS that total cash and short-term investments reported in the financial statements. Internal Audit validated the cash account balances by sampling selected periods.
- **Cash with City Treasurer**
 - Internal Audit obtained a listing of cash received and disbursed in the account to make our selections.
 - Internal Audit reconciled the received or disbursed amounts to LACERS accounting and budgeting systems as well as supporting documents (invoice, bank statement, receipts, etc.).
 - Internal Audit checked for proper approval for disbursements and researched the Los Angeles Administrative Code and policies issued by the City Controller to ensure disbursements were properly authorized.

CASH AND SHORT-TERM INVESTMENTS

Objective, Scope, and Methodology

Test of Internal Controls

- **Cash in Building Operating Account**

- Internal Audit obtained a listing of cash received and disbursed in the account to make our selections.
- Internal Audit agreed the received or disbursed amounts to LACERS accounting and budgeting systems as well as supporting documents (invoice, bank statement, receipts, etc.).
- Internal Audit checked for proper approval for disbursements and researched Controller Code and policies to ensure disbursements were properly authorized.

- **Short-term Investment Funds**

- Internal Audit agreed and reconciled the ending balances of the Portfolio Statements.
- When possible, Internal Audit did a spot check of market value of investments.

CASH AND SHORT-TERM INVESTMENTS

Detailed Audit Results

Finding #1

When reviewing expenditures for the building operations accounts, staff does a check of the financial statements sent by property management but does not trace back the expenditures to invoices.

CASH AND SHORT-TERM INVESTMENTS

Detailed Audit Results

Recommendation #1

On a monthly basis, select a sample of expenditures made by property management and trace the information back to invoices to ensure that the amount being charged is correct and the purpose of the expenditure is reasonable.

Receivables and Liabilities

Background

Receivables reflect amounts owed to or to be received by LACERS and liabilities reflect the financial obligations of LACERS.

Type of Receivable	FY25	FY24
Accrued Investment Income	\$115,414,000	\$96,357,000
Proceeds from Sales of Investments	\$78,651,000	\$117,623,000
Other Receivables	\$15,552,000	\$13,371,000
Total	\$209,617,000	\$227,351,000

Type of Liability	FY25	FY24
Accounts Payable and Accrued Expenses	\$46,268,000	\$91,251,000
Accrued Compensated Absences	\$6,420,000	\$5,978,000
Accrued Investment Expense	\$26,487,000	\$10,195,000
Purchases of Investments	\$112,212,000	\$193,472,000
Security Lending Collateral Payable	\$207,016,000	\$160,397,000
Total	\$398,403,000	\$461,293,000

Receivables and Liabilities

Background

The following is a breakdown of each type of receivable and liability:

- **Accrued Investment Expense/Income and Purchase/Sales of Investments**
 - When making investments, LACERS pays several types of fees. At month end, these different types of fees from investments and purchases can be pending due to timing differences between banks, transactions needing clearing, or payments still in progress. Similarly, LACERS receives income in a variety of forms including dividends, interest, fixed income, and distributions that can be pending for the same reasons.
- **Other Receivables**
 - Other receivables primarily consists of accrued member contributions. Member contributions are received from the City of Los Angeles for every pay period but there is a timing difference between the day of collection and when it's actually received by LACERS.

Receivables and Liabilities

Background

The following is a breakdown of each type of receivable and liability:

- **Accounts Payable and Accrued Expenses**
 - On a yearly basis, Los Angeles City provides LACERS prepaid benefits for the upcoming fiscal year based on projected payroll. At year end, LACERS reconciles the amount based on actual payroll which turns into a payable.
 - Accrued expenses are typically made up of invoices sent to LACERS for a variety of expenses including office supplies, vendor charges, equipment, etc.
- **Security Lending Collateral Payable**
 - LACERS has entered into various short-term arrangements with its custodian bank to lend securities to various brokers. The custodian bank receives cash, government and corporate securities, and commercial bank obligations as collateral for the securities lent.

Receivables and Liabilities

Objective, Scope, and Methodology

Test of Internal Controls

1. Internal Audit gained an understanding of the overall process by interviewing staff within Fiscal Services, Administration, and Investments.
2. Internal Audit selected samples for each type of receivable and liability previously mentioned.

Receivables and Liabilities

Objective, Scope, and Methodology

Test of Internal Controls

- **Accrued Investment Expense/Income and Purchase/Sales of Investments**
 - For each selection, Internal Audit agreed the ending balances to the custodian bank portfolio statements.
 - Internal Audit verified that the outstanding amounts were cleared in the subsequent period.
- **Benefit Payment True-Up**
 - Internal Audit recalculated the benefit payment amount to verify the true-up was accurately posted.
 - Internal Audit agreed the wire transfer amount to the calculated amount to see that the payment was made in a timely manner for the correct amount.

Receivables and Liabilities

Objective, Scope, and Methodology

Test of Internal Controls

- **Security Lending Collateral Payable**

- Internal Audit obtained the market value amount of the loaned securities and the corresponding collateral and compared the market value to known exchanges.

- **Accrued Member Contributions**

- Internal Audit recalculated the expected member contribution amount and agreed it to the system and amount from the City.
- Internal Audit agreed the expected amount to the wire transfer within the system and in the custodian bank statements to ensure it was properly deposited.

Receivables and Liabilities

Detailed Audit Results

Finding #1

LACERS is susceptible to passive acceptance of custodian bank data, recording receivables and liabilities exactly as reported without an independent process to scrutinize or validate the underlying figures.

Receivables and Liabilities

Detailed Audit Results

Recommendation #1

On a monthly basis, perform a month over month comparison of investment income and expenses to identify any out of the ordinary changes that should be investigated. This analytical review will provide an internal safeguard and improve understanding of custodian reporting.

Summary of Findings and Recommendations

Audit Area	Finding	Recommendation
Service Purchase	The calculation for contract costs can be unclear to Members, as lump sum and interest amounts are shown only as plain numbers.	Provide Members with a detailed calculation sheet breaking down the cost basis and interest to ensure transparency and allow staff to verify pension administration system accuracy.
Service Purchase	Processing timelines are often delayed beyond the 4–11 month estimate, typically due to verification requirements from outside agencies.	Establish direct communication lines or formal relationships with frequently consulted outside agencies to expedite the confirmation process.
Cash & Short-Term Investments	Staff review property management financial statements for building operations but do not trace expenditures back to the original invoices.	Implement a monthly sampling process to trace expenditures back to invoices, ensuring charges are accurate, reasonable, and properly supported.
Receivables & Liabilities	LACERS currently relies on "passive acceptance" of custodian bank data, recording figures exactly as reported without independent validation.	Perform monthly month-over-month comparisons of investment income and expenses to identify and investigate unusual fluctuations or discrepancies.