



# *Employer Audit Policy*

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## I. Purpose

The purpose of this policy is to provide general guidelines for conducting employer audits. Employer Audits shall be authorized and approved by the Board, prior to initiation of an audit by ACERA staff. Pursuant to Government Code Sections 31542.5 and 31543, 7522.70-7522.74, the Board of Retirement (“Board”) may audit the participating employer to determine any one or all of the following;

1. The correctness of participating employer and employee contributions;
2. Proper enrollment in ACERA’s Defined Benefit Plan (“Retirement Plan”);
3. Post-retirement employment;
4. Participating employer’s failure to report certain felony convictions related to employment and crimes involving children;
5. Reported compensation;
6. Forfeiture of retirement benefits;
7. Reinstatement into the system; and,
8. Legal compliance with compensation limits.

## II. Objectives

The objectives of this policy are as follows:

- A. Establish the responsibility of the Board and staff to audit ACERA’s participating employers for compliance with the Public Employees’ Pension Reform Act (PEPRA), and to ensure appropriate oversight throughout the audit process.

- B. Provide an overview of the communication, remediation, appeals and reporting guidelines to ensure transparency and due process for all stakeholders involved in the audit process.
- C. Promote open dialogue by establishing a formal appeals process.

### III. Assumptions

- A. The Board, as a fiduciary, must protect the integrity of the system which includes the dissemination of accurate, appropriate, and non-confidential information to the public.
- B. The participating employers will fully comply and provide the required information to complete the audits.
- C. Audits will be conducted using the ACERA policies, laws and regulations in effect at the time of the audit. If the policies, laws and/or regulations change during the course of the audit, the audit procedures will be updated to reflect the most recent version of the law.

### IV. Policy Guidelines

- A. All audit requests will be presented to the Board after consideration and authorization of the Audit Committee.
- B. The participating employer shall be given written notice of ACERA's intent to audit. After which, staff will either proceed to engage an independent third party to conduct the audit, co-source the audit, and/or initiate the audit using staff.
- C. The Internal Audit Department may request information in the possession, control, or disposal of the participating employer, with respect to retirement benefits, reportable compensation, and enrollment in, or reinstatement to the retirement system.
- D. Staff shall provide the Board with quarterly status updates on the progress of the audits. The final audit report will contain the findings and recommendations.
- E. After completion of the audit, the participating employer will receive a formal audit report detailing conclusions, findings, and/or recommendations and will provided the

opportunity to respond to audit conclusions, findings, and/or recommendations in a written management statement and/or written appeal after the completion of the audit.

- F. Documentation regarding the nature of the disagreement supporting the participating employer's position and any additional evidence, will be returned to ACERA's Internal Audit Department at least 15 days prior to the presentation of the final audit report. If the participating employer is unable to provide the additional evidence at least 15 days prior to the presentation, an automatic extension of up to 60 days extension will be granted upon written request.
- G. Final audit reports, findings, and recommendations will be presented to the Audit Committee Meeting as an information item. If staff believes the Audit Committee should recommend to the Board to take additional action, staff will make the appropriate recommendation.
- H. The audit report will be available in the public packets which are presented to the Audit Committee and Board in a public meeting, and therefore are available for public inspection through paper and electronic media.
- I. If not specified otherwise in writing, the time afforded to the participating employer to remediate findings is one year from the date the audit is reported to the Board. The Board may assess a reasonable fee to cover the cost of adjustments or corrections if the Board determines the participating employer is not reporting compensation correctly or violating other PEPRA statutes (See Gov. Code §31542.5.)

#### V. Policy Review

The Audit Committee shall review this policy at least every two (2) years to ensure that it remains relevant and appropriate.

#### VI. Policy History

- A. The Board adopted this policy on October 16, 2014.