



# **THREE-YEAR INTERNAL AUDIT PLAN**

**For the Years Ending  
June 30, 2019, 2020, and 2021**

# Exhibit A: Page 2

## Table of Contents

Introduction and Purpose .....	1
Preparing for the Implementation of the Audit Plan .....	1
Internal Audit Mission .....	2
Audit Plan Process .....	3
Audit Universe .....	4
Risk Assessment.....	5
Audit Plan .....	8
Audit Plan Report .....	18

**Exhibit A: Page 3**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Introduction and Purpose**

The purpose of an internal audit function is to provide a means of better evaluating, and improving the effectiveness of risk management and internal controls, which are key to an organizations ability to achieve its objectives and goals. Therefore, San Bernardino County Employees' Retirement Association (SBCERA) created an Internal Audit unit to accomplish the goal of analyzing and assisting the Board of Retirement (Board) and senior management (Management) in reduction of the risks that may impair the achievement of SBCERA's objectives, and to improve the efficiency and effectiveness of SBCERA's operations and internal controls.

To accomplish the goal, the Institute of Internal Auditor's (*IIA's*) *International Standards for the Professional Practice of Internal Auditing* (Standards) and SBCERA's Internal Audit Charter require the Internal Audit unit to develop an audit plan for Board approval. The audit plan should include the audit activities to be performed, using an appropriate risk-based methodology.

The purpose of this document is to provide the Board and Management with:

- An understanding of the Internal Audit unit's risk-based approach to developing a Three-Year Internal Audit Plan (Audit Plan), and
- A Three-Year Audit Plan for audit activities to be accomplished for the years ending June 30, 2019, 2020, and 2021.

An organization-wide Internal Audit Risk Assessment (Risk Assessment) and Audit Plan have been prepared to help identify, measure, and prioritize potential audit activities based on the level of risk to SBCERA. The Risk Assessment results and other factors were utilized in preparing the Audit Plan.

The Audit Plan covers a three-year period and outlines the Board's directive for the Internal Audit unit. It will be reviewed at least annually by the Audit Committee. In addition, any significant deviation from the formally approved Audit Plan will be communicated to the Audit Committee Chair at the instance of the deviation and an Audit Committee meeting will be scheduled as soon thereafter.

**Preparing for the Implementation of the Audit Plan**

Since this is the first time an Audit Plan has been prepared for SBCERA, the Internal Audit unit has, and will continue to spend the remaining of the year ending June 30, 2018 preparing for the implementation of the Audit Plan as follows:

- Develop Audit Committee and Internal Audit Charters to define the role of the Audit Committee and the Internal Audit unit, respectively.
- Perform an organization-wide Risk Assessment that identifies Key Work Activities to be considered when preparing the Audit Plan.
- Develop the Audit Plan for the years ending June 30, 2019, 2020, and 2021.
- Develop the Internal Audit Operating Procedures Manual to implement the Audit Plan.

**Exhibit A: Page 4**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Preparing for the Implementation of the Audit Plan (Continued)**

In addition to implementing the Audit Plan, the Internal Audit unit will continue to develop the following:

- Continue to review and expand the Internal Audit Operating Procedures Manual, as needed.
- Perform an annual review of SBCERA's Risk Assessment used in the current Audit Plan and update the Risk Assessment, if needed, for any significant changes in risk scores, including any new risks that are identified. The results of this review will be presented to the Audit Committee annually.
- Perform a new Risk Assessment that will identify Key Work Activities to be considered when preparing the Three-Year Internal Audit Plan for the years ending June 30, 2022, 2023, and 2024 (to be performed during the year ending June 30, 2021).
- Develop the Audit Plan for the years ending June 30, 2022, 2023, and 2024.

**Internal Audit Mission**

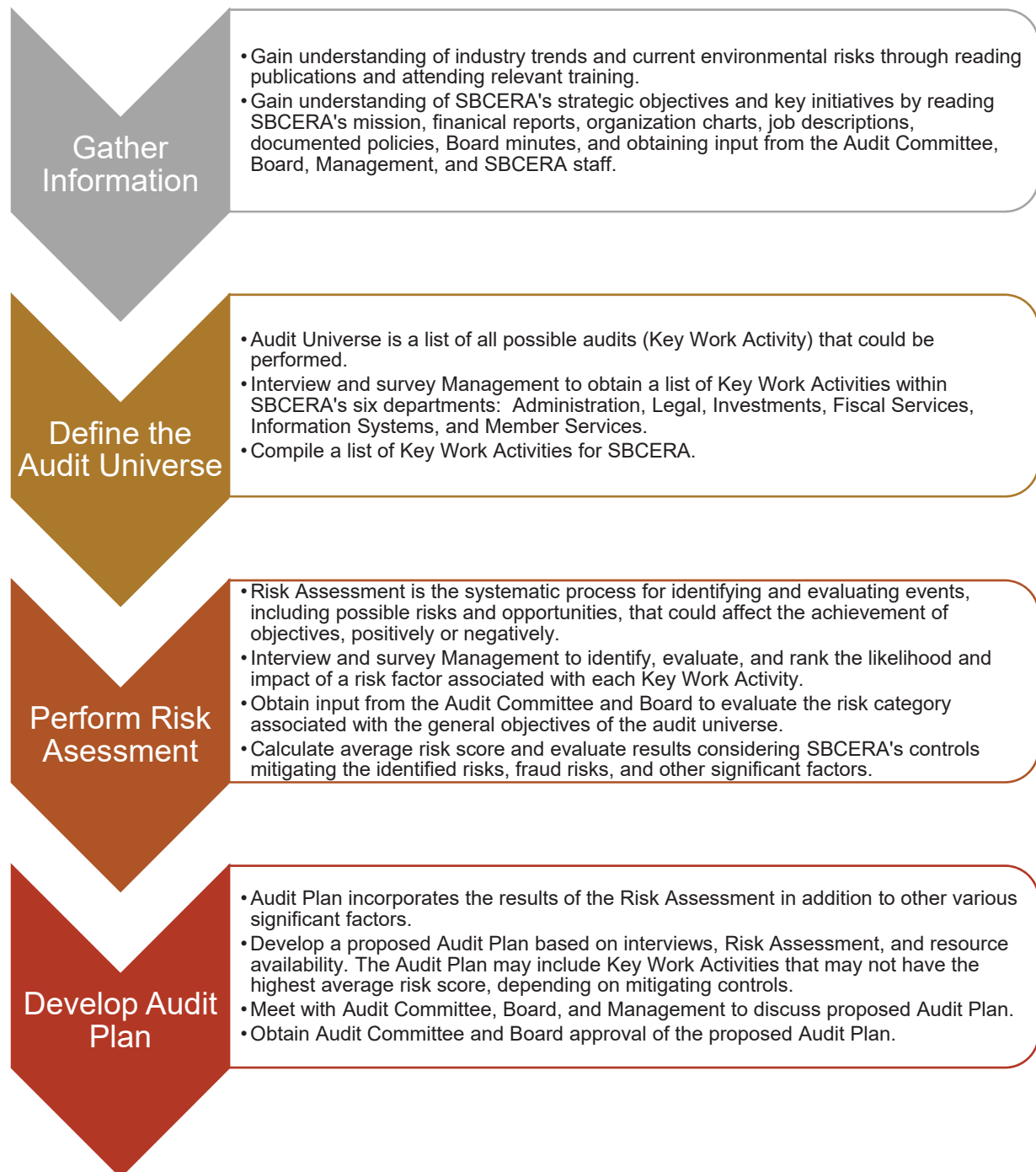
The purpose, authority, and responsibilities of the Internal Audit unit have been formally defined in the Internal Audit Charter as follows:

The mission of the Internal Audit unit is to provide independent, objective assurance, and consulting services designed to confirm policy compliance, add value, and improve SBCERA's operations. The unit will assist SBCERA in reduction of risks that may impair the achievement of SBCERA's objectives, and to improve the efficiency and effectiveness of SBCERA's operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

**Exhibit A: Page 5**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan Process**

The Internal Audit planning framework is developed as follows:



**Exhibit A: Page 6**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

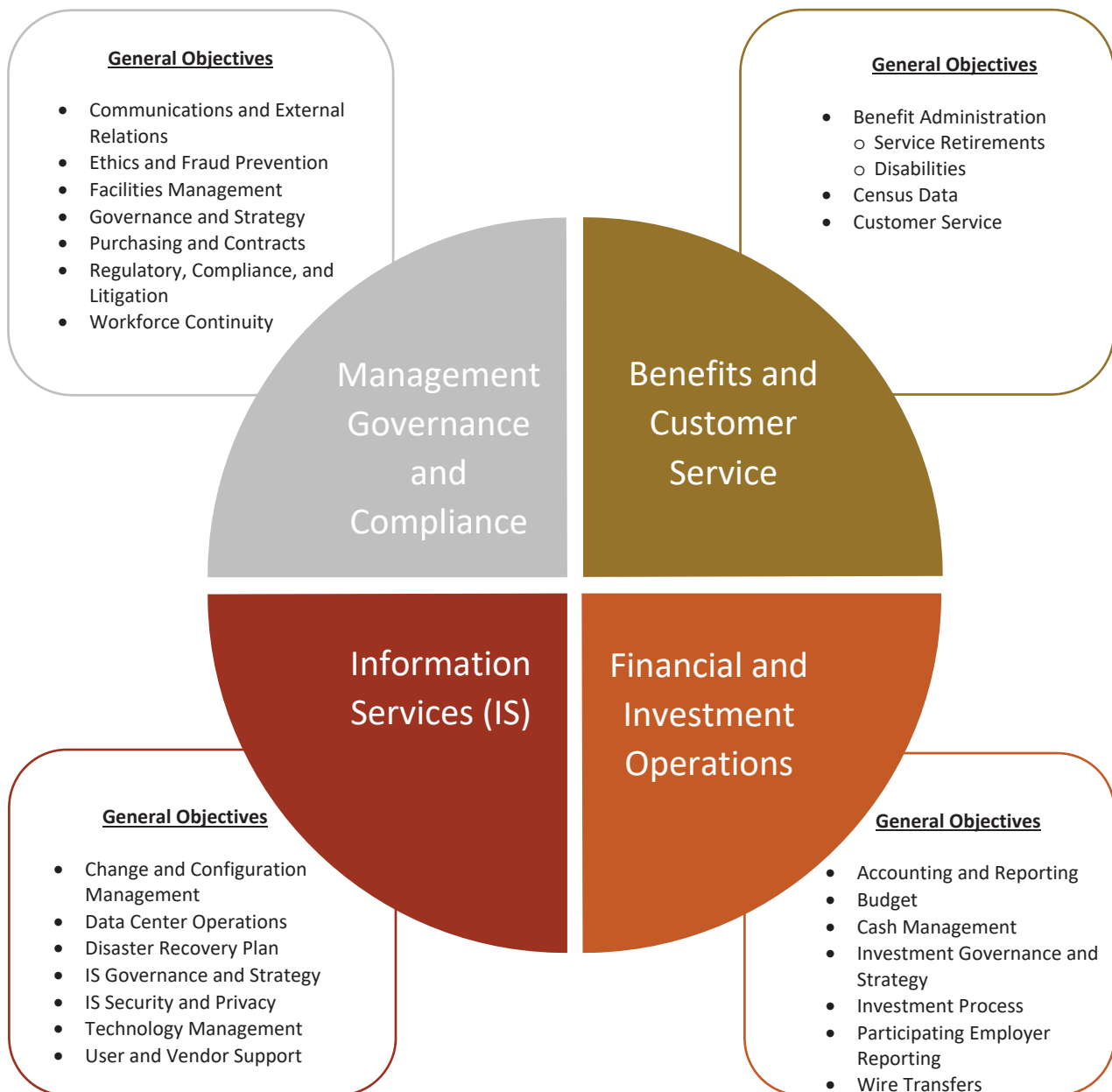
**Audit Universe**

An audit universe represents the potential range of all audit activities and is comprised of a number of auditable areas. These areas generally include a range of programs, activities, functions, structures, and initiatives which collectively contribute to the achievement of the organization's objectives.

To determine SBCERA's audit universe, the Internal Audit unit interviewed and surveyed Management to obtain a list of all auditable activities (Key Work Activities) within SBCERA's six departments: Administration, Legal, Investments, Fiscal Services, Information Services, and Member Services. These Key Work Activities were then allocated into four main auditable areas as follows:

- Management Governance and Compliance (Administration and Legal)
- Benefits and Customer Service (Member Services)
- Financial and Investment Operations (Fiscal Services and Investments)
- Information Services

The Key Work Activities were analyzed to identify the general objectives for each area as follows:



**Exhibit A: Page 7**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Risk Assessment**

A risk assessment is the identification and analysis of risks to the achievement of an organization's objectives, for the purpose of determining how those risks should be managed. In other words, it is an analysis of what could go wrong.

In developing SBCERA's Risk Assessment, the Key Work Activities in the audit universe are analyzed to identify the risk factors for each activity. The Risk Assessment includes a general risk framework which analyzes both internal and external risks, seeks input from the Audit Committee, Board, and Management, and considers other significant factors. As a result, 84 Key Work Activities were identified. Each risk factor associated with each Key Work Activity is then scored to determine the average risk, which takes into consideration the likelihood (the possibility a given event or consequence will occur) and impact (the extent to which a risk event might affect the organization) of each Key Work Activity using the following scoring template:

**Risk Score Level**

High	High to Medium	Medium	Medium to Low	Low
5	4	3	2	1

The average risk score then determines the average risk category of each Key Work Activity as follows:

**Description of Average Risk Category**

Average Risk Category	Description
<b>High Risk</b>	<ul style="list-style-type: none"> <li>Key Work Activities with risk scores ranging from 4 to 5.</li> <li>Key Work Activities that are high risk by nature include activities/transactions that are complex, highly regulated, or could have a material impact on SBCERA if a risk event were to occur. A high risk category does not mean that the Key Work Activity is being managed ineffectively.</li> </ul>
<b>Medium Risk</b>	<ul style="list-style-type: none"> <li>Key Work Activities with risk scores ranging from 3 to 3.9.</li> <li>Key Work Activities that are medium risk by nature include activities/transactions that could have a moderate impact on SBCERA if a risk event were to occur. A medium risk category does not mean that the Key Work Activity is being managed ineffectively.</li> </ul>
<b>Low Risk</b>	<ul style="list-style-type: none"> <li>Key Work Activities with risk scores ranging from 1 to 2.9.</li> <li>Key Work Activities are low risk by nature because the activity/transaction will have little or minor impact on SBCERA if a risk event were to occur. The likelihood of the risk event to occur is also low.</li> </ul>

**Exhibit A: Page 8**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Risk Assessment (Continued)**

As a result, SBCERA's Risk Assessment is as follows:

**Risk Assessment Results**

<b>Average Risk Score</b>	<b># of Key Work Activities</b>	<b>Average Risk Category</b>
4.8	3	High Risk
4.7	3	High Risk
4.6	1	High Risk
4.5	2	High Risk
4.2	5	High Risk
4.1	1	High Risk
4.0	6	High Risk
3.9	2	Medium Risk
3.8	1	Medium Risk
3.7	1	Medium Risk
3.5	4	Medium Risk
3.3	2	Medium Risk
3.2	2	Medium Risk
3.1	1	Medium Risk
3.0	6	Medium Risk
2.8	4	Low Risk
2.7	1	Low Risk
2.6	1	Low Risk
2.5	5	Low Risk
2.4	1	Low Risk
2.3	4	Low Risk
2.2	6	Low Risk
2.0	7	Low Risk
1.9	1	Low Risk
1.8	5	Low Risk
1.5	3	Low Risk
1.2	2	Low Risk
1.0	4	Low Risk
<b>Total</b>	<b>84</b>	



**Exhibit A: Page 9**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Risk Assessment (Continued)**

The Key Work Activities scored on the previous page are sorted below according to the audit universe.

**Risk Assessment Results by Audit Universe**

Audit Universe	Key Work Activities			
	High Risk	Medium Risk	Low Risk	Total
<b>Management Governance and Compliance</b>				
Communications and External Relations	-	-	2	2
Ethics and Fraud Prevention	-	1	1	2
Facilities Management	-	-	1	1
Governance and Strategy	-	-	3	3
Purchasing and Contracts	-	-	1	1
Regulatory, Compliance, and Litigation	-	1	7	8
Workforce Continuity	-	-	7	7
<b>Benefits and Customer Service</b>				
Benefit Administration	2	4	4	10
Census Data	3	2	2	7
Customer Service	1	-	1	2
<b>Financial and Investment Operations</b>				
Accounting and Reporting	6	5	3	14
Budget	-	-	2	2
Cash Management	1	-	-	1
Investment Governance and Strategy	-	-	1	1
Investment Process	-	3	3	6
Participating Employer Reporting	2	-	-	2
Wire Transfers	-	1	-	1
<b>Information Services (IS)</b>				
Change and Configuration Management	1	1	-	2
Data Center Operations	-	-	2	2
Disaster Recovery Plan	1	-	-	1
IS Governance and Strategy	-	-	2	2
IS Security and Privacy	3	1	-	4
Technology Management	1	-	1	2
User and Vendor Support	-	-	1	1
<b>Total Key Work Activities</b>	<b>21</b>	<b>19</b>	<b>44</b>	<b>84</b>
<b>Percent of Total Key Work Activities</b>	<b>25%</b>	<b>23%</b>	<b>52%</b>	<b>100%</b>

**Exhibit A: Page 10**  
**San Bernardino County Employees Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan**

The Internal Audit unit considers the results of the Risk Assessment along with other significant factors such as: requests by the Audit Committee, Board, or Management, results of previous audit activities, the last time an activity was audited, relevant or current events, areas where the Internal Audit unit can have the greatest impact, and resource limitations that may exist in developing the Audit Plan. Accordingly, Key Work Activities selected may not always have the highest average risk score.

An important part of the Audit Plan is that the selected Key Work Activity should receive differing types and levels of review based on their importance, perceived risk, and most efficient approach. Internal Audit projects may consist of audits, agreed-upon procedures, consulting, and other review activities to address the selected Key Work Activity.

The Audit Plan, as summarized below, was developed to address Key Work Activities with high and medium risk scores. Certain Key Work Activities with medium risk scores were not included in the Audit Plan because of resource limitations or on-going projects by Management that will significantly change the current process. All Key Work Activities with low risk scores were not included in the Audit Plan as they are considered low risk to the organization. Key Work Activities not included in the Audit Plan will be considered for inclusion into a future Audit Plan as resources allow. The Audit Plan consists of the following Key Work Activities:

**Audit Plan Summary and Coverage**

Audit Universe	Key Work Activities		
	Included in Audit Plan	Included in Risk Assessment	Percent Coverage
<b>High Risk</b>			
Management Governance and Compliance	-	-	NA
Benefits and Customer Service	6	6	100%
Financial and Investment Operations	9	9	100%
Information Services	6	6	100%
<b>Total Key Work Activities - High Risk</b>	<b>21</b>	<b>21</b>	<b>100%</b>
<b>Medium Risk</b>			
Management Governance and Compliance	1	2	50%
Benefits and Customer Service	4	6	67%
Financial and Investment Operations	6	9	67%
Information Services	2	2	100%
<b>Total Key Work Activities - Medium Risk</b>	<b>13</b>	<b>19</b>	<b>68%</b>
<b>Low Risk</b>			
Management Governance and Compliance	0	22	0%
Benefits and Customer Service	0	7	0%
Financial and Investment Operations	0	9	0%
Information Services	0	6	0%
<b>Total Key Work Activities - Low Risk</b>	<b>0</b>	<b>44</b>	<b>0%</b>
<b>Key Work Activities</b>			
Management Governance and Compliance	1	24	4%
Benefits and Customer Service	10	19	53%
Financial and Investment Operations	15	27	56%
Information Services	8	14	57%
<b>Total Key Work Activities</b>	<b>34</b>	<b>84</b>	<b>40%</b>

**Audit Plan (Continued)**

**Exhibit A: Page 11**  
**San Bernardino County Employees Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

As a whole, the Key Work Activities included in the Audit Plan are those that best support SBCERA's mission to provide the members and their beneficiaries with those retirement and related benefits and services which they have earned and which are commensurate with their years of service and compensation, and to improve service quality, information technology, and data accuracy.

Key Work Activities identified as high risk are summarized below.

**Summary and Coverage of Key Work Activities – High Risk**

<b>Key Work Activities – High Risk</b>	<b>Included in Audit Plan</b>	<b>Included in Risk Assessment</b>	<b>Percent Coverage</b>
<b>Benefits and Customer Service</b>			
Accuracy of Member Information	3	3	100%
Death Benefit Processes	1	1	100%
Disability Retirement Application Processes	1	1	100%
Telephone System Processes	1	1	100%
<b>Total</b>	<b>6</b>	<b>6</b>	<b>100%</b>
<b>Financial and Investment Operations</b>			
Cash Management	1	1	100%
Contribution Reconciliation Processes	1	1	100%
Participating Employer Contribution Processes	2	2	100%
Payroll Internal Controls (Normal, Lump-sum, Manual, and Vendor payments)	5	5	100%
<b>Total</b>	<b>9</b>	<b>9</b>	<b>100%</b>
<b>Information Services (IS)</b>			
IS Security	4	4	100%
Disaster Recovery Plan	1	1	100%
IS Training Plan	1	1	100%
<b>Total</b>	<b>6</b>	<b>6</b>	<b>100%</b>
<b>Total Key Work Activities – High Risk</b>	<b>21</b>	<b>21</b>	<b>100%</b>

As shown above, 100% of the Key Work Activities identified as high risk are included in the Audit Plan as detailed on the next page.

**Exhibit A: Page 12**  
**San Bernardino County Employees Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan (Continued)**

**Project Detail of Key Work Activities – High Risk**

<b>Key Work Activities – High Risk</b>		
<b>Audit Project #</b>	<b>Key Work Activity</b>	<b>Project</b>
<b>Benefits and Customer Service</b>		
1	Accuracy of Member Information	Audit member records for a specified period to evaluate the accuracy and completeness of member records and payroll data submitted by participating employers.
2	Accuracy of Member Information - Provided to Actuary	Audit process of providing information requested by the actuary for a specified period to assess whether the process is functioning as designed.
3	Accuracy of Member Information - System Updates from Actuary	Audit process of uploading updates/information from the actuary into Pension Gold for a specified period to assess whether the process is functioning as designed.
4	Death Benefit Processes - Payments to Beneficiaries	Audit process for verifying eligibility for survivor benefits, particularly minors, for a specified period to assess whether the surviving beneficiary eligibility verification process is functioning as designed.
5	Disability Retirement Application Processes	Audit disability retirement application process for a specified period to assess whether the process is functioning as designed.
6	Telephone System Processes	Internal Audit unit will monitor progress of Management's telephone system improvement project and perform limited procedures determined by the project status.
<b>Financial and Investment Operations</b>		
1	Cash Management	Audit cash management procedures for a specified period to assess if the procedures are functioning as designed.
2	Contribution Reconciliation Processes	Audit procedures for reconciling participating employer contribution records to accounting records for a specified period to assess whether the process is functioning as designed.
3	Participating Employer Contribution Processes - Pay Codes	Audit selected participating employer's procedures for processing payroll and contributions, particularly pay code determination for a specified period to assess whether the process is functioning as designed. (See Note 1 on next page.)
4	Participating Employer Contribution Processes - Exception Reports	Audit selected participating employer's procedures for processing exception reports for a specified period to assess whether the process is functioning as designed. (See Note 1 on next page.)
5	Payroll Internal Controls - Normal Payroll	Audit normal payroll process for a specified period to assess whether the normal payroll process is functioning as designed.
6	Payroll Internal Controls - Lump Sum Payroll	Audit lump sum payroll process for a specified period to assess whether the lump sum payroll process is functioning as designed.
7	Payroll Internal Controls - Manual Payroll	Audit manual payroll process for a specified period to assess whether the manual payroll process is functioning as designed.
8	Payroll Internal Controls - Normal Payroll Benefit Calculation and Set-Up	Audit normal payroll benefit calculation procedures for a specified period to assess if normal retirement benefits are calculated correctly, particularly service credit determination, leave balance verification, birth date verification, and newly enrolled retirees benefit calculations.
9	Payroll Internal Controls - Vendor Payroll	Audit vendor payroll procedures for a specified period to assess whether the vendor payroll process is functioning as designed.

**Exhibit A: Page 13**  
**San Bernardino County Employees Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan (Continued)**

**Project Detail of Key Work Activities – High Risk (Continued)**

<b>Key Work Activities – High Risk (Continued)</b>		
<b>Audit Project #</b>	<b>Key Work Activity</b>	<b>Project</b>
<b>Information Services (IS)</b>		
1	IS Security - Application Security	Internal Audit unit will monitor the results of the data security project and the annual Information System Audit and perform limited procedures as determined by project status.
2	IS Security - Data Controls	Internal Audit unit will monitor the results of the data security project and the annual Information System Audit and perform limited procedures as determined by project status.
3	IS Security - Network Security	Internal Audit unit will monitor the results of the data security project and the annual Information System Audit and perform limited procedures as determined by project status.
4	IS Security - System Patching	Internal Audit unit will monitor the results of the data security project and the annual Information System Audit and perform limited procedures as determined by project status.
5	Disaster Recovery Plan	Internal Audit unit will monitor progress on Management's development of the Disaster Recovery Plan and perform limited procedures determined by the project status.
6	IS Training Plan	Internal Audit unit will monitor progress on Management's development of the IS Training Plan and perform limited procedures determined by the project status.

Note 1: Participating employers are selected for testing based on size, risk, Management request, and other factors. A minimum of three participating employers will be tested, however, additional participating employers will be selected for limited testing as resources allow or as the need arises. The following participating employers have been selected: Hesperia Recreation and Park District, Inland Library System, and Law Library for San Bernardino County.

**Exhibit A: Page 14**  
**San Bernardino County Employees Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan (Continued)**

Key Work Activities identified as medium risk are summarized below.

**Summary and Coverage of Key Work Activities – Medium Risk**

<b>Key Work Activities – Medium Risk</b>	<b>Included in Audit Plan</b>	<b>Included in Risk Assessment</b>	<b>Percent Coverage</b>
<b>Management Governance and Compliance</b>			
Governance - Fraud	1	1	100%
Disability Benefit Policies and Hearings	-	1	0%
<b>Total</b>	<b>1</b>	<b>2</b>	<b>50%</b>
<b>Benefits and Customer Service</b>			
Benefit Payment Withholdings	1	1	100%
Member Death Verification	1	1	100%
Member Enrollment	1	1	100%
Receipt of Contributions	1	1	100%
Contributions Due Memos	-	1	0%
Service Purchase Contracts	-	1	0%
<b>Total</b>	<b>4</b>	<b>6</b>	<b>67%</b>
<b>Financial and Investment Operations</b>			
Accounting Processes (Accounts Receivable and Accounts Payable)	2	2	100%
Account Reconciliations (Bank and Investment)	2	2	100%
Tax Filings	1	1	100%
Wire Transfer Processes	1	1	100%
Investment Procedures and Policies	-	3	0%
<b>Total</b>	<b>6</b>	<b>9</b>	<b>67%</b>
<b>Information Services (IS)</b>			
IS Security	1	1	100%
IS Asset Management	1	1	100%
<b>Total</b>	<b>2</b>	<b>2</b>	<b>100%</b>
<b>Total Key Work Activities – Medium Risk</b>	<b>13</b>	<b>19</b>	<b>68%</b>

As shown above, 68% of the Key Work Activities identified as medium risk are included in the Audit Plan which is detailed on the next page. The remaining 32% of the Key Work Activities not selected for testing are discussed on page 14.

**Exhibit A: Page 15**  
**San Bernardino County Employees Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan (Continued)**

**Project Detail of Key Work Activities – Medium Risk**

<b>Key Work Activities – Medium Risk</b>		
<b>Audit Project #</b>	<b>Key Work Activity</b>	<b>Project</b>
<b>Management Governance and Compliance</b>		
1	Governance - Fraud	Review process of identifying, investigating, and reporting allegations of fraud, ethical misconduct or other matters as required. Perform investigation as requested by Audit Committee, Board, or Management.
<b>Benefits and Customer Service</b>		
1	Benefit Payment Withholdings	Audit operational controls over the tax and other withholdings on payroll as selected for a specified period to assess whether the process is functioning as designed.
2	Member Death Verification	Audit member death verification process including updates to member records as a result of enrollment information changes, personal information changes, family changes, and/or death of member or beneficiary for a specified period to assess whether the procedures are functioning as designed.
3	Member Enrollment	Audit procedures of member enrollment for a specified period to assess whether the procedures are functioning as designed.
4	Receipt Of Contributions	Audit operational controls over contributions receipts for a specified period to assess whether the process is functioning as designed.
<b>Financial and Investment Operations</b>		
1	Accounting Processes - Accounts Payable	Audit accounts payable process for a specified period to assess whether the accounts payable process is functioning as designed.
2	Accounting Processes - Accounts Receivable	Audit accounts receivable process for a specified period to assess whether the accounts receivable process is functioning as designed.
3	Account Reconciliations - Bank Reconciliations	Audit bank reconciliation process for a specified period to assess whether the reconciliation process is functioning as designed.
4	Account Reconciliations - Investment Reconciliations	Audit investment reconciliation process for a specified period to assess whether the reconciliation process is functioning as designed.
5	Tax Filings	Audit tax tracking and filing process for a specified period to assess whether the process is functioning as designed.
6	Wire Transfer Processes	Audit wire transfer procedures for a specified period to assess whether the process is functioning as designed.
<b>Information Services (IS)</b>		
1	IS Security - Physical Access to Data Center	Internal Audit unit will monitor the audit performed by external auditor retained to conduct an Information System Audit and perform limited procedures as determined by the project status.
2	IS Asset Management	Internal Audit unit will monitor the audit performed by external auditor retained to conduct an Information System Audit and perform limited procedures as determined by the project status.

**Exhibit A: Page 16**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan (Continued)**

Key Work Activities identified as medium risk which are not included in the Audit Plan are summarized below.

**Project Detail of Key Work Activities – Medium Risk – Not Included in Audit Plan**

<b>Key Work Activities – Medium Risk – Not Included in Audit Plan</b>		
<b>Audit Project #</b>	<b>Key Work Activity</b>	<b>Project</b>
<b>Management Governance and Compliance</b>		
1	Disability Benefit Policies and Hearings	Audit disability benefits process for a specified period to assess whether the process is functioning as designed and SBCERA is in compliance with regulations and Board policies.
<b>Benefits and Customer Service</b>		
1	Contributions Due Memos	Monitor progress of Management's project to streamline the contributions due memo processes and perform limited procedures as determined by the project status.
2	Service Purchase Contracts	Monitor progress of Management's project to streamline the service purchase contracts processes and perform limited procedures as determined by the project status.
<b>Financial and Investment Operations</b>		
1	Investment Procedures and Policies - Rebalancing of Portfolio	Audit rebalancing of investment portfolio process for a specified period to assess whether the process is functioning as designed.
2	Investment Procedures and Policies - Investment Manager Performance Review	Audit the process of reviewing investment manager performance for a specified period to assess whether the process is functioning as designed.
3	Investment Procedures and Policies - Asset Allocation Model and Review	Audit the asset allocation process and subsequent review of the asset allocation for a specified period to assess whether the process is functioning as designed.

These Key Work Activities were not selected for testing because of resource limitations or on-going projects by Management that will significantly change the current process. However, in the event that all planned activities are completed ahead of schedule, the Key Work Activities identified as medium risk that are not included in the Audit Plan, as identified above, will be reviewed and selected for audit based on the results of the Risk Assessment and professional judgment. Priority will be given to Key Work Activities that have the potential for significant financial savings or have issues dealing with integrity or fraud. The results of which will be reported to the Audit Committee and will be included in the Audit Plan Report.



**Exhibit A: Page 17**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan (Continued)**

Key Work Activities identified as low risk, which are not included in the Audit Plan because the activities have a minor impact to SBCERA, are summarized below. Key Work Activities identified as low risk were not selected for testing because of resource limitations. However, in the event that all planned activities are completed ahead of schedule, the Key Work Activities identified as low risk that are not included in the Audit Plan, as identified below, will be reviewed and selected for audit based on the results of the Risk Assessment and professional judgment. Priority will be given to Key Work Activities that have the potential for significant financial savings or have issues dealing with integrity or fraud. The results of which will be reported to the Audit Committee and will be included in the Audit Plan Report.

**Project Detail of Key Work Activities – Low Risk – Not Included in Audit Plan**

<b>Key Work Activities – Low Risk – Not Included in Audit Plan</b>		
<b>Audit Project #</b>	<b>Key Work Activity</b>	<b>Project</b>
<b>Management Governance and Compliance</b>		
1	Communications and External Relations - Public Records Act Response	Audit procedures to comply with the Public Records Act to assess whether the process is functioning as designed.
2	Communications and External Relations - Information Security	Audit process of releasing private or secure information to assess whether the process is functioning as designed.
3	Ethics and Fraud Prevention - Board Code of Ethics	Audit process of informing Trustees of the Code of Ethics to assess whether the process is functioning as designed.
4	Facilities Management - Mailroom Distribution	Audit process of mail distribution to assess whether the process is functioning as designed.
5	Governance and Strategy - Board Reports	Audit process of providing reports to the Board to assess whether the process is functioning as designed.
6	Governance and Strategy - Strategic Plan	Audit process of strategic plan review to assess whether the process is functioning as designed.
7	Governance and Strategy - Board Training - Fiduciary Responsibilities to SBCERA	Audit process of Trustee training to assess whether the process is functioning as designed.
8	Purchasing and Contracts - Request for Proposal (RFP) and Contract Review Process	Audit process of RFP and contract review to assess whether the process is functioning as designed.
9	Regulatory, Compliance and Litigation - Legal Representation for Administrative Hearings	Audit administrative hearing process for a specified period to assess whether the process is functioning as designed.
10	Regulatory, Compliance and Litigation - Supervision of Outside Counsel on Litigation Matters	Audit process of reviewing outside counsel services provided to SBCERA to assess whether the process is functioning as designed.
11	Regulatory, Compliance and Litigation - Oral and Written Legal Advice and Recommendations	Audit process of legal advice review to assess whether the process is functioning as designed.

**Exhibit A: Page 18**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan (Continued)**

**Project Detail of Key Work Activities – Low Risk – Not Included in Audit Plan (Continued)**

<b>Key Work Activities – Low Risk – Not Included in Audit Plan (Continued)</b>		
<b>Audit Project #</b>	<b>Key Work Activity</b>	<b>Project</b>
<b>Management Governance and Compliance (Continued)</b>		
12	Regulatory, Compliance and Litigation - Other Compliance Issues (Non-Routine Comment Sheets)	Audit process of determining compliance with pension law to assess whether the process is functioning as designed.
13	Regulatory, Compliance and Litigation - Subpoenas Served	Audit process of responding to subpoenas to assess whether the process is functioning as designed.
14	Regulatory, Compliance and Litigation - Court Orders	Audit process of responding to court orders to assess whether the process is functioning as designed.
15	Regulatory, Compliance and Litigation - Review Beneficiary Designation and Wills	Audit process of reviewing wills and beneficiary designations to assess whether the process is functioning as designed.
16	Workforce Continuity - Human Resource Policies Review and Update	Audit process of review and updating of SBCERA's Human Resources Policies.
17	Workforce Continuity - Recruitment and Hiring	Audit process of reviewing hiring criteria to assess whether the process is functioning as designed.
18	Workforce Continuity - Performance Evaluation and Planning (PEP)	Audit process of providing PEP among the departments to assess whether the process is functioning as designed.
19	Workforce Continuity - Human Resource Review of Leave and Benefits	Audit process of Human Resource review of leave benefits for each employee to assess whether the process is functioning as designed.
20	Workforce Continuity - Staffing - Human Resources	Audit process of determining staffing requirements to assess whether the process is functioning as designed.
21	Workforce Continuity - Employee Training - Pension Law	Audit process of employee training on pension law to assess whether the process is functioning as designed.
22	Workforce Continuity - Employee Training - General	Audit process of determining need of employee training on general SBCERA procedures to assess whether the process is functioning as designed.
<b>Benefits and Customer Service</b>		
1	Benefit Administration - Retroactive Calculations	Audit process of retroactive calculations to assess whether the process is functioning as designed.
2	Benefit Administration - Unclaimed Benefits	Audit process of determining unclaimed benefits to assess whether the process is functioning as designed.
3	Benefit Administration - Member Authentication	Audit process of member authentication to assess whether the process is functioning as designed.

**Exhibit A: Page 19**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan (Continued)**

**Project Detail of Key Work Activities – Low Risk – Not Included in Audit Plan (Continued)**

<b>Key Work Activities – Low Risk – Not Included in Audit Plan (Continued)</b>		
<b>Audit Project #</b>	<b>Key Work Activity</b>	<b>Project</b>
<b>Benefits and Customer Service (Continued)</b>		
4	Benefit Administration - Unclaimed Member Accounts	Audit process of reviewing unclaimed member accounts to assess whether the process is functioning as designed.
5	Census Data - Member Tier / Reciprocity	Audit process of reviewing member tier reciprocity determination to assess whether the process is functioning as designed.
6	Census Data - Service Credit Determination	Audit process of service credit determination to assess whether the process is functioning as designed.
7	Customer Service - Member Education and Retirement Counseling	Audit process of providing accurate information during member education and retirement counseling to assess whether the process is functioning as designed.
<b>Financial and Investment Operations</b>		
1	Accounting and Reporting - Popular Annual Financial Report (PAFR)	Audit process of preparing and reviewing PAFR to assess whether the process is functioning as designed.
2	Accounting and Reporting - Fixed Assets	Audit process of maintaining fixed asset records including depreciation to assess whether the process is functioning as designed.
3	Accounting and Reporting - Comprehensive Annual Financial Report (CAFR)	Audit process of preparing and reviewing CAFR to assess whether the process is functioning as designed.
4	Budget - Budget vs. Actual Quarterly Reporting	Audit process of budget versus actual quarterly reporting to assess whether the process is functioning as designed.
5	Budget - Budget Preparation	Audit process of budget preparation to assess whether the process is functioning as designed.
6	Investment Governance and Strategy - Identify New Investments	Audit process of identifying and approval of new investments to assess whether the process is functioning as designed.
7	Investment Process - Securities Lending Review	Audit process of securities lending review to assess whether the process is functioning as designed.
8	Investment Process - Market Strategic Plan and Investment Plan Review	Audit process of market strategic plan and investment plan review to assess whether the process is functioning as designed.
9	Investment Process - Fund Investment Performance Monitoring	Audit process of fund investment performance monitoring to assess whether the process is functioning as designed.

**Exhibit A: Page 20**  
**San Bernardino County Employees' Retirement Association**  
**Three-Year Internal Audit Plan (Continued)**  
**For the Years Ending June 30, 2019, 2020, and 2021**

**Audit Plan (Continued)**

**Project Detail of Key Work Activities – Low Risk – Not Included in Audit Plan (Continued)**

<b>Key Work Activities – Low Risk – Not Included in Audit Plan (Continued)</b>		
<b>Audit Project #</b>	<b>Key Work Activity</b>	<b>Project</b>
<b>Information Services (IS)</b>		
1	Data Center Operations - Scanning to the Correct Repository within the Imaging Server	Audit process of document scanning to assess whether the process is functioning as designed.
2	Data Center Operations - Version Control of Documents within the Imaging Server	Audit process of ensuring that all documents within the Imaging Server are retained in correct chronological order within the specified period to assess whether the process is functioning as designed.
3	IS Governance and Strategy - Project Selection and Management	Audit process of determining IS project selection and management of IS project selected to assess whether the process is functioning as designed.
4	IS Governance and Strategy - IS Employee Training	Audit process of determining need of employee training on IS to assess whether the process is functioning as designed.
5	Technology Management - System Updates	Audit process of system updates to assess whether the process is functioning as designed.
6	User and Vendor Support - Helpdesk Response	Audit process of helpdesk response to assess whether the process is functioning as designed.

**Audit Plan Report**

This Audit Plan is a “living document” that should be updated as new systems are developed, significant changes to existing systems occur, legislation changes, objectives change, and new risks are identified. Therefore, the Audit Plan will be reviewed annually.

The Internal Audit unit will submit an Audit Plan Report (Report) to the Audit Committee no later than 120 days after the year ending June 30, 2019, June 30, 2020, and June 30, 2021, respectively, or as soon thereafter as an Audit Committee meeting can feasibly be scheduled. The Report will provide information on the progress of the Annual Plan including projects completed and projects in progress. Any recommendations for adjustments to the Audit Plan based on the Risk Assessment review and Audit Committee, Board, and Management requests will also be presented. The Report will include the status of any audit recommendations.