



Participating Employer Audit Policy

I. Purpose

This policy provides guidelines for conducting participating employer audits. Participating employer audits shall be authorized and approved by the Board, prior to initiation by ACERA staff. Pursuant to Gov't Code §§ 31542.5, 31543, 31595 and 7522.70-7522.74, and Cal. Const., art. XVI, § 17, the Board may audit a participating employer regarding any matter that relates to the administration of ACERA, including but not limited to:

1. The correctness of participating employer and employee contributions;
2. Proper enrollment of employees as members of ACERA;
3. Post-retirement employment;
4. Reporting of felony convictions that result in forfeiture of benefits;
5. Reported compensation;
6. Reinstatement into the system;
7. Compliance with compensation limits; and
8. Correctness of retirement benefits.

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 all applicable laws and to ensure appropriate oversight throughout the audit process.
- B. Provide an overview of the communication, remediation, dispute resolution, and reporting guidelines to ensure transparency and due process for all stakeholders involved in the audit 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, or regulations change during the course of the audit, the audit procedures will be updated to reflect the most recent version of the law.
- D. ACERA has a fiduciary obligation to prudently implement reasonable measures to ensure the collection of contributions and payment of benefits in correct amounts.

IV. Policy Guidelines

- A. All audit requests will be presented to the Board after review by the Audit Committee.
- B. The participating employer shall be given written notice of ACERA's intent to audit. After which, staff will either engage an independent third party to conduct the audit, co-source the audit or initiate the audit using only staff.
- C. The Internal Audit Department may request relevant information in the possession or control of the participating employer.
- D. Staff shall provide the Board with periodic status updates on the progress of the audits at Audit Committee meetings. The final report will contain findings and recommendations.
- E. After completion of the audit, the participating employer will receive a formal audit report detailing conclusions, findings, and recommendations and will have the opportunity to respond to conclusions, findings, and recommendations in writing.
- F. Documentation regarding the nature of any disagreements and supporting the participating employer's position must be provided to ACERA's Internal Audit Department at least 30 days before the scheduled presentation of the final audit report. If the employer is unable to provide the additional evidence at least 30 days prior to the presentation, an extension of up to 60 days extension will be granted upon written request and the presentation to the Audit Committee will be delayed.

- G. Final audit reports, findings, and recommendations will be presented to the Audit Committee Meeting as an information item and will include any information the employer provides relating to any disagreements with the final audit reports, findings, and recommendations. If staff believes the Audit Committee should recommend to the Board to take additional action, staff will make the appropriate recommendation. The Audit Committee or the Board can establish whatever further procedures may be warranted under the circumstances to resolve any disagreements.
- 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. Employers must remediate problems identified in the audit as soon as practicable or within a timeline established by the Board. The Board may assess a reasonable fee to cover the costs arising from an employer's failure to comply with applicable law. Gov't Code §§ 31454.7, 31542.5, 31580.1.

V. Policy Review

The Audit Committee shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

VI. Policy History

- A. The Board adopted this policy on October 16, 2014.
- B. The Board revised this policy on October 17, 2024.