

Fire & Police Pension Association Audit Committee Meeting Agenda

September 19, 2017

7:30 a.m.

7:30 a.m. Call to Order

Approval of June 6, 2017 meeting minutes.

7:35 a.m. IT Assessment (Executive Session). *Presenters: Jeff Ahlerich, Security Pursuit, and Mark Gremmert*

8:35 a.m. Review of open audit findings (Executive Session). *Presenters: Kim Collins, Scott Simon, Mark Gremmert, and Ahni Smith*

9:00 a.m. Break

9:15 a.m. Financial Statement, GASB 68, and SOC 1 Type 2 Audit Plans 12/31/2017. *Presenters: Lealan Miller and Sara Kurtz, Eide Bailly, LLP*

9:25 a.m. GASB Statement implementation update – No. 74, Financial reporting for Postemployment Benefit Plans Other Than Pension Plans. *Presenter: Ahni Smith*

9:35 a.m. Annual Illiquid Alternatives Financial Statement Review. *Presenter: Scott Simon*

9:45 a.m. FPPA Audit Procurement Policy. *Presenter: Kim Collins*

9:50 a.m. Internal Audit Reports. *Presenters: Keith Galante and Courtney Reikofski, BKD, LLP*

1. Transition of services from BNY Mellon to Capital Analytics.
2. Process improvements of the statewide retirement benefits from a SOC perspective.
3. Entity level controls review based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework. (Executive Session)

10:30 a.m. Break

10:45 a.m. Determination of 2018 Internal Audit Plan. *Presenters: Keith Galante and Courtney Reikofski, BKD, LLP*

11:00 a.m. Determine 2018 Audit Committee Dates. *Presenter: Dan Slack*

11:00 a.m. Adjournment

Tentative Agenda for Audit Committee Meeting April 2018 at 7:30 a.m.

- **Auditor Reports:**
 - i) **SSAE 16 SOC 1 Type 2 2017 Report.**
 - ii) **2017 Financial Audit Update.**
- **Internal Audit Reports (TBD)**

FIRE AND POLICE PENSION ASSOCIATION

Minutes – Audit Committee Meeting

September 19, 2017

FPPA Office
5290 DTC Parkway, Suite 100
Greenwood Village, CO

Committee Members Present: Chair Pam Feely, Nick Nuanes, and Jack Blumenthal

Staff Members Present: Dan Slack, Kim Collins, Kevin Lindahl, Scott Simon, Ahni Smith, Mark Gremmert, and Karen Moore

Others Present: Jeff Ahlerich, Security Pursuit; Lealan Miller and Sara Kurtz, Eide Bailly, LLP; Keith Galante and Courtney Reikofski, BKD, LLP

Notice of this meeting and a copy of the agenda were posted in the building lobby of the FPPA office and on the FPPA website at least twenty-four hours prior to the meeting.

At 7:30 a.m., Chair Feely called the meeting to order.

Mr. Nuanes moved to approve the minutes of the June 6, 2017, meeting. Mr. Blumenthal seconded the motion. The motion passed.

The Board Members, staff, and guests introduced themselves.

IT Assessment (Executive Session)

At 7:34 a.m., Mr. Nuanes moved the Committee to enter into an Executive Session to discuss confidential matters as required by state or federal law as allowed under Section 24-6-402 (4)(c) of the Colorado Revised Statutes. Mr. Blumenthal seconded that motion. The motion passed. The Committee convened into executive session. Staff and FPPA contractors were allowed to stay.

At 8:03 a.m., Mr. Nuanes moved that the Committee return to its regular meeting. Mr. Blumenthal seconded that motion. The motion passed. The Committee returned to its regular meeting. Chair Feely declared that no motions were made and no actions were taken during the executive session.

Review of open audit findings (Executive Session)

Mr. Nuanes moved the Committee to enter into an Executive Session to discuss confidential matters as required by state or federal law as allowed under Section 24-6-402 (4)(c) of the Colorado Revised Statutes. Mr. Blumenthal seconded that motion. The motion passed. The Committee convened into executive session. Staff and auditors were allowed to stay.

At 8:29 a.m., Mr. Nuanes moved that the Committee return to its regular meeting. Mr. Blumenthal seconded that motion. The motion passed. The Committee returned to its regular meeting. Chair Feely declared that no motions were made and no actions were taken during the executive session.

At 8:30 a.m., Chair Feely called for a break. Messrs. Gremmert and Ahlerich left the meeting.

Financial Statement, GASB 68, and SOC 1 Type 2 Audit Plans 12/31/2017

At 8:45 a.m., the meeting reconvened. Ms. Kurtz reviewed the Financial Statement Audit Plan, including task requirements, deliverables, responsibilities, and scope. Ms. Kurtz reviewed risk assessment procedures and explained how preliminary analytical analysis will be conducted. The following significant audit areas have been identified: Investments and Investment Income (Loss), Contributions/Member Testing, Distributions, and Financial Statement Preparation Processes. Mr. Miller noted that Eide Bailly's IT specialist will also participate, focusing on the financial statement reporting and IT compliance.

Mr. Miller reviewed important dates in relation to the GASB 68 requirements for the SOC 1, Type 2 audit (under SSAE 18) of controls affecting the demographic and financial information of the Old Hire and Volunteer Plans:

- Prepare by client listing to management – September 15
- Populations to Eide Bailly – November 10
- Samples to FPPA for testing – November 17
- Onsite testing – December 4-8
- Report Draft – January 19
- Final Report – No later than February 15

Employers under the 2017 GASB 68 audit have been selected and notified so that they can budget and plan accordingly. Contributions testing is scheduled for May 2018. The tie-out to GRS reports will occur in late July, early August 2018. Presentation will be provided to the Committee in September 2018.

Mr. Miller reviewed the tentative audit schedule through the final audit opinion.

Mr. Miller identified new accounting standards: GASB 74 – OPEB Plans, GASB 75 – OPEB Plans for employers, and 2016-1 and 2017-2 OPEB Plans implementation guides. Mr. Miller confirmed that no GASB 75 allocation report is required in relation to the Statewide Death and Disability Plan since all contributions are made by employees or on behalf of employees. Mr. Miller briefly reviewed the 2016-1 and 2017-2 OPEB Plans Implementation Guides and does not anticipate any issues for FPPA with these.

Mr. Slack notified the Committee that a memo containing the internal and external auditor contact information has been posted in the employee lounge. The memo provides that any employee who may have concerns of fraud or wrong-doing, but may not feel comfortable bringing these concerns to management, may contact the internal and external auditor.

GASB Statement implementation update – No. 74, Financial reporting for Postemployment Benefit Plans Other Than Pension Plans

At 9:05 a.m., Ms. Smith provided highlights from her memo updating the Committee on the implementation on GASB Statement Nos. 74 and 75.

Annual Illiquid Alternatives Financial Statement Review

At 9:09 a.m., Mr. Simon provided the Committee with the annual illiquid alternatives financial statement review.

FPPA Audit Procurement Policy

At 9:10 a.m., Ms. Collins reviewed proposed updates to the FPPA Audit Procurement Policy to be discussed and recommended to the Board for approval.

The Committee discussed possible updates to bullet 4. Mr. Slack and Ms. Collins will work with Chair Feely offline to update language.

Internal Audit Reports

Transition of services from BNY Mellon to Capital Analytics.

At 9:16 a.m., Ms. Reikofski reviewed BKD LLP's internal audit of the new process that resulted from the transition of services from BNY Mellon to Capital Analytics to ensure that any potential process/control gaps are identified.

Process improvements of the statewide retirement benefits from a SOC perspective.

Mr. Galante and Ms. Reikofski reviewed BKD LLP's internal audit of the statewide retirement benefits process and determined if improvements can be made to gain efficiencies within the process. Ms. Collins also discussed the FPPA's plan to improve processes that are more widely used.

Entity level controls based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework.

At 9:23 a.m., Mr. Nuanes moved the Committee to enter into an Executive Session to discuss confidential matters as required by state or federal law as allowed under Section 24-6-402 (4)(c) of the Colorado Revised Statutes. Mr. Blumenthal seconded that motion. The motion passed. The Committee convened into executive session.

At 9:30 a.m., Mr. Nuanes moved that the Committee return to its regular meeting. Mr. Blumenthal seconded that motion. The motion passed. The Committee returned to its regular meeting. Chair Feely declared that no motions were made and no actions were taken during the executive session.

Chair Feely called for a break.

Determination of 2018 Internal Audit Plan

At 9:45, the meeting reconvened. Mr. Galante and Ms. Reikofski reviewed the 2018 Internal Audit Plan. The Committee, staff, and the auditors discussed the proposed audits.

The Committee agreed to recommend to the Board to proceed with Audit Items 1, 6, 8, 9, and Administration. The Committee agreed that the Fraud Risk Assessment shall be completed every 3

years. And the Committee strongly recommends examining item 7 - review process used to monitor money managers, for the 2019 internal audit.

At 10:21 a.m., Mr. Nuanes moved the Committee to recommend that the Board adopt the following items of the 2018 internal audit plan: 1. Entity level controls working based on the COSO model and update risk assessment, 6. audit of HR processes and systems, 8. audit processes around activities performed by the Internal Investment Committee, with discussion with the Investment Committee, 9. audit of service providers and appropriate controls over their processes used to handle FPPA information or assets, and audit of Administration, for a total of approximately \$32,000 in audit costs. Mr. Blumenthal seconded the motion. The motion passed.

Determine 2018 Audit Committee Dates

Mr. Slack proposed future Audit Committee meeting dates.

Mr. Nuanes motioned to adopt the following 2018 meeting dates, with meetings commencing at 7:30 a.m.: April 17, June 5, and September 18. Mr. Blumenthal seconded the motion. The motion passed.

Mr. Nuanes moved to adjourn the meeting. Mr. Blumenthal seconded the motion. The motion passed.

At 10:24 a.m., Chair Feely declared the meeting adjourned.