

May 19, 2010

To: Members of the Board of Retirement

From: Dale Amaral

**Subject: Summary of the Wednesday, May 19, 2010 Audit Committee Meeting**

The Audit Committee Meeting commenced at 1:00 p.m. on Wednesday, May 19, 2010. The Committee members in attendance were Vice Chair George Wood, Dale Amaral, Keith Carson, Liz Koppenhaver, other Board members present were George Dewey, Darryl Walker and David Safer. Members of the Staff present were Catherine Walker, Assistant Chief Executive Officer; J.P. Singh, Chief Financial Officer; Kathy Foster Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Rose Kwong, Benefits Manager; Betty Tse, Chief Investment Officer; Latrena Walker, Project and Information Services Manager; and Harsh Jadhav, Internal Auditor.

### **ACTION ITEMS**

- **Presentation of the December 31, 2009 Audited Financial Statements**

The Audit Partner of William Adley & Company (WACO), ACERA's external auditor, presented the draft independent auditor's report and opinion accompanied with draft of the December 31, 2009 audited financial statements.

The Audit Partner covered the Required Communications according to the *SAS 114, "Communication with Those Charged with Governance"*, and mentioned that management is responsible for the selection and use of appropriate accounting policies, adding that ACERA has implemented GASB Statement No. 53, *Accounting and Financial Reporting of Derivative Instruments*. They noted no transactions entered into by ACERA during the year for which there was a lack of authoritative guidance or consensus. There were no significant transactions recognized in the financial statements in a different period than when the transaction occurred. There were no sensitive accounting estimates; significant difficulties in dealing with management; or disagreements with management. There were no adjustments and no passed adjustments. They considered ACERA's internal controls only for the purpose of conducting the audit and did not provide any assurance concerning such internal controls.

The Audit Sr. Manager referred to the Audit Scope, and mentioned the different risk areas and the audit approach they used. With regards to the compliance testing, they found no exceptions to the '37 Act Requirements or to ACERA'S Policies and Procedures. They also noted that ACERA's expenses were within the Administrative Limitation. The audit is substantially complete and they will be providing an "unqualified opinion" on the Basic Financial Statements. With regards to Internal Control and Compliance, they identified no significant deficiencies or material weaknesses and no compliance findings. The final report

is to be submitted to the full Board upon acceptance by the Audit Committee. They are still looking at any potential Management Letter items, if there are any they will be presented at the June Meeting.

- George Wood moved and Liz Koppenhaver seconded a motion to approve the auditors' report and financial statements. It passed unanimously.

**Recommendation:** The Audit Committee recommends to the Board of Retirement that it approve the December 31, 2009 Audited Financial Statements and Independent Auditors' unqualified opinion.

### **INFORMATION ITEMS:**

- **Management Discussion and Analysis**  
ACERA's Chief Financial Officer presented a brief overview and status of ACERA's Financial Statements and key performance indicators.
- **Progress Report on Internal Audit Work Plan and New Internal Audit Initiatives**  
ACERA's Internal Auditor presented an Annual Audit Plan Update for 2010, including an Internal Audit Schedule

### **FUTURE DISCUSSION ITEMS**

- Presentation of the Auditor's potential 2009 Letter to Management.
- Staff Response to the Letter to Management.
- Progress Report on Internal Audit Work Plan.
- New Internal Audit Initiatives.

### **ESTABLISHMENT OF NEXT MEETING DATE**

Next meeting is scheduled for Thursday, June 17, 2010 – 10:30 am

### **MEETING ADJOURNED**

The meeting adjourned at 1:37 p.m.