



Date: September 14, 2016
To: Members of the Audit Committee
From: Donald R. White, Chair
Subject: Summary of the September 14, 2016, Audit Committee Meeting

Audit Committee Chair Donald White called the September 14, 2016, Audit Committee meeting to order at 1:35 p.m. Committee members present were, Dale Amaral, Annette Cain-Darnes, Tarrell Gamble, and George Wood. Other Board members present were Liz Koppenhaver, Keith Carson, Ophelia Basgal and Darryl Walker. Members of the Staff present were David Nelsen, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Harsh Jadhav, Chief of Internal Audit; Margo Allen, Fiscal Services Officer; Lori Schnall, Associate Counsel; Betty Tse, Chief Investment Officer; and Vicki Arruda, Human Resources Manager.

ACTION ITEMS

1. Recommendation of External Audit Firms chosen from the Request for Proposal (RFP) to audit FY 2016-2020

The first information item and the interviews of the two audit firms from the Request for Proposal (RFP) took place before the action item.

After interviewing both firms, the committee chair directed staff to carry the action item over to the next audit committee meeting. Committee members requested supplemental information before taking action.

INFORMATION ITEMS

External Audit

1. 2016 External Audit Firm Interviews from RFP to Audit FY 2016-2020

Staff presented a summary of the raw and weighted scores for the technical evaluation of the RFP. Staff also presented a cost variance analyses between the firms for each audit type, over the 5-year contract. It was noted by staff that the main difference in the cost bids was in GASB statement audits.

Brown Armstrong Interview:

Staff introduced representatives from Brown Armstrong, Andrew Paulden, Managing Partner and Ashley Casey, Audit Manager.

- Mr. Paulden discussed some distinguishing features of his firm and of the audit team that would serve ACERA's Board of Retirement. He pointed out that Brown Armstrong prides itself on leveraging its efficiencies and proficiencies in training and education services for employees and clients. Mr. Paulden discussed the firm's considerable experience with '37 Act retirement systems,

noting that Brown Armstrong audits 13 out of 20 of the '37 Act systems. Other discussion points included:

- GASB statement implementation specialty;
- Leveraging technology; and,
- Experience working with Pension Gold, EDMS, and ACERA's actuarial consultant.

Lastly, Ms. Casey explained Brown Armstrong's work plan and mentioned that it could provide CPE training for clients and preform a CAFR review for GFOA guidelines compliance.

Williams, Adley & Company, LLP Interview (WACO):

Staff introduced representatives of WACO, Robert Griffin, Concurring Partner; Audrey Elbert, Engagement Partner; and, Kenneth Yu, Engagement Manager.

Ms. Elbert discussed some distinguishing features of her firm and of the audit team that would serve ACERA's Board of Retirement. She pointed out that WACO has comprehensive knowledge of issues affecting ACERA and a dedicated and experienced client service team to provide a fresh view point of ACERA's financial statements.

Mr. Yu discussed WACO's proposed audit schedule and approach. He emphasized WACO's use of risk assessment to develop audit parameters and identify any potential high risk issues. He also stated that WACO will review and analyze the internal auditor's work plan and IT controls for testing key audit areas.

Committee Instruction after Interviews:

Staff was instructed to provide some follow up information regarding WACO's actual billing versus RFP bid and to follow up on the wording of RFP regarding required disclosure of any litigation within the last five years. Trustee Basgal also asked to include a formal reference and litigation check process for both firms. Staff was directed to bring the follow up information back to the committee and present it at the next Audit Committee meeting.

Internal Audit

Due to the length of the auditor interviews, the committee decided to postpone the presentation of the Internal Audit Department to the October Audit Committee meeting.

TRUSTEE/PUBLIC INPUT

- None.

RECOMMENDATION

- None.

ESTABLISHMENT OF NEXT MEETING DATE

October 12, 2016 at 12:30 pm

MEETING ADJOURNED

The meeting adjourned at 3:30 pm