



Date: October 18, 2018
To: Members of the Audit Committee
From: Henry C. Levy, Chair
Subject: Summary of the October 18, 2018, Audit Committee Meeting

Audit Committee Chair Henry Levy called the October 18, 2018, Audit Committee meeting to order at 10:01 am. Committee members present were Dale Amaral, Darryl Walker, Jaime Godfrey*, Ophelia Basgal, Nancy Reilly and Tarrell Gamble. Members of the staff present were David Nelsen, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Margo Allen, Fiscal Services Officer; Harsh Jadhav, Chief of Internal Audit; Kathy Mount, Chief Counsel; Betty Tse, Chief Investments Officer; Sandra Dueñas-Cuevas, Benefits Manager; Vijay Jagar, Retirement Chief Technology Officer; and Victoria Arruda, Human Resources Officer.

*Annette Cain-Darnes resigned from the Board of Retirement on June 5, 2018. The Board of Supervisors appointed Jaime Godfrey to serve the remainder of the term through November 30, 2018.

ACTION ITEMS

None.

INFORMATION ITEMS

Internal Audit

1. Progress report on the Internal Audit Plan

Staff provided a progress update on the 2018 Internal Audit Plan. The internal audits, compliance audits and special projects detailed in the audit plan were reported to be on track and expected to be completed on schedule.

2. Progress Report on the Employer Audit Plan

Staff presented a progress update on the Employer Audit Plan. The Alameda Health System Employer Audit is on track for completion in 2019. The Superior Court Employer Audit was initiated in Q4 2018, with the department completing the initial risk assessment, audit timeline and the audit plan.

3. Review Objective and Scope of the Employer Audit of the Superior Court of Alameda County

Staff presented the audit timeline for the Superior Court of Alameda County. Staff also discussed the scope of work for the audit, which included a review of employee eligibility and pensionable compensation. It was noted that The Superior Court of Alameda County is planning to implement a new HR/Payroll system in 2019.

4. Discuss the Internal Audit Department Charter

Staff presented the Internal Audit Department Charter for review and consideration. The charter has been updated to reflect the recognition of the recently incorporated *Code of Ethics* and a section on *Consulting and Advisory Services*. Trustee Levy commented that he wanted to make sure the language was clear in that the Internal Audit Department was operating in a consulting capacity and not directing or assisting in the selection of a system. Staff confirmed that the department's role would not interfere with ACERA's operations, and will act solely in an advisory capacity. CEO, Dave Nelsen further commented that the Charter is clear in the naming of the section as *Consulting and Advisory Services*, and further clarified the role of the internal audit department to work in a limited scope advisory capacity.

5. Discuss the Audit Committee Charter

Staff presented a draft Audit Committee Charter for discussion and consideration. The charter is intended to provide guidance and direction to the Audit Committee in carrying out its responsibilities. The charter outlined the Audit Committee's meeting and quorum requirements, authority and scope of responsibility, reporting requirements to the Board of Retirement, and specific duties as they relate to ensuring accurate financial reporting, maintaining an effective system of compliance and internal controls, and monitoring internal and external audit activities.

6. Discuss Implementation of the Financial Fraud Hotline

Staff presented information to the committee regarding plans to implement a Financial Fraud Hotline for ACERA. The committee discussed the need for the hotline, the information to be presented on the intranet website, and how other pension agencies currently utilize their hotlines.

7. Discuss the Financial Fraud Policy

Staff pulled the item from the agenda due to time constraints, and will bring back the draft policy to the next Audit Committee meeting, for review and discussion.

TRUSTEE/PUBLIC INPUT

None

ESTABLISHMENT OF NEXT MEETING DATE

February 21, 2019, at 1:00 pm

MEETING ADJOURNED

The meeting adjourned at 10:56 am