

**Audit Committee Meeting  
December 9, 2010**

**Agenda**

- 7:30 a.m. **Call to order**  
Approval of Minutes, October 25, 2010, Audit Committee Meeting
- 7:35 a.m. **Internal audit report**  
*Tim O'Brien, FPPA Internal Auditor*
- 7:50 a.m. **2011 Internal Audit discussion**
- 8:00 a.m. **Adjourn**

## **FIRE AND POLICE PENSION ASSOCIATION**

Minutes – Audit Committee Meeting  
December 9, 2010

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

**BOARD MEMBERS PRESENT:** Chairman Jack Blumenthal, Lyle Hesalroad and Leo Johnson.

**STAFF MEMBERS PRESENT:** Dan Slack, Kim Collins, Kevin Lindahl, and Janette Hester.

**OTHERS PRESENT:** Tim O'Brien, FPPA Internal Auditor.

*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 7:32 a.m., Audit Committee Chairman Jack Blumenthal called the meeting to order. Mr. Blumenthal called for approval of the minutes of the October 25<sup>th</sup> audit committee meeting. Leo Johnson moved to approve the minutes of the October 25, 2010, audit committee meeting. Lyle Hesalroad seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Blumenthal called for Tim O'Brien to present the internal audit report of Refunds for the Statewide Defined Benefit Plan and Statewide Hybrid Plan for the twelve month period beginning October 1, 2009, and ending September 30, 2010. Mr. O'Brien concluded that FPPA accurately calculates refunds for the Statewide Defined Benefit Plan and the Statewide Hybrid Plan. Mr. O'Brien commended the benefits and accounting departments for their total cooperation during the audit.

Mr. O'Brien reported that the audit included the functions of both the accounting and benefits departments of FPPA. He stated that the audit of randomly selected FPPA disbursements included original records, as well as electronic copies. He reported that the audit objectives were focused on refunds of contributions paid to members who terminate full-time employment; members with less than 5 years of accumulated service credit (not vested); and vested members. Mr. O'Brien reported that the audit included the assessment of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives.

Mr. O'Brien reviewed his findings and recommendations.

(1) FPPA should continue to reconcile the information in the ASPEN system with the accounting records. *FPPA response: Kim Collins reported that staff*

*agreed and has already put processes in place to reconcile all plans on a monthly basis so that issues can be identified immediately.*

(2) FPPA should review and validate the "calculator" of the Colorado Springs plan to assure that the appropriate results are achieved. *FPPA response: Ms. Collins reported that staff agreed and has sent the Colorado Springs "calculator" to FPPA's actuary (Gabriel, Roeder, Smith) for review.*

(3) FPPA should disclose interest paid on refunds in its periodic reports to the board. *FPPA response: Ms. Collins reported that staff agreed that the disclosure could be clearer and the need for the administrative approvals report would be discussed with the board.*

Mr. Johnson stated he was in favor of keeping the administrative approvals report of the refunded amounts in every board packet and to also include the amount of interest paid. Mr. Blumenthal and Mr. Hesalroad stated their preference for a quarterly report, noting that the report would only increase in size in the future. Mr. Blumenthal suggested the issue be placed before the whole board. Dan Slack agreed with Mr. O'Brien's recommendation that FPPA should revise the report to include interest with the refund amount paid to the member. Subsequently, Mr. Blumenthal suggested the report be revised as an analytical chart showing distributions in each plan, and that this chart be included in the board packet at the annual strategic planning session.

Mr. O'Brien concluded his audit report. He stated that his next internal audit of staff payroll expenses and operating expenses would conclude the 2010 audit schedule. He stated that this report would be completed prior to the next audit committee meeting. Ms. Collins reported that the date of the next audit committee meeting would be determined at the February board meeting. She also noted that the final 2010 audit could be presented to the board in April. Mr. O'Brien stated that he would forward his internal audit report of staff payroll expenses and operating expenses electronically to the audit committee as soon as it was completed.

Mr. Blumenthal called for budget discussion of the 2011 internal audits. Mr. O'Brien stated that he had recommended 5 audits and the audit committee had reduced that number to 3 audits. Mr. O'Brien confirmed that the cost of 3 audits in 2011 would not exceed \$25,000 and would be completed prior to September 1, 2011.

Mr. O'Brien stated that the audit committee charter as currently written and the 2011 audit contract activity are not in sync and should be reviewed and adjusted. Mr. Blumenthal concurred, further noting that if any significant problems were found requiring expanded audits, the audit budget could be amended with board approval. Mr. Blumenthal suggested that Mr. O'Brien prepare a 3-year cycle of audits to be completed on a rotating basis that would match the plan of the charter.

He further requested that Mr. O'Brien review the findings and exposure of his last three years of audits and list them as being material or not.

Mr. Slack noted that the board's creation of the new audit committee in 2010 and the work of the new independent auditor, Clifton Gunderson LLP, are proving to be a positive step for the FPPA organization.

At 8:09 a.m., Mr. Hesalroad moved that the committee meeting adjourn.  
Mr. Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.