

**FIRE AND POLICE PENSION ASSOCIATION**  
**Audit Committee Meeting**  
**1801 California St., Suite 4650, Denver**  
**June 30, 2010**

**Agenda**

<b><u>Time</u></b>	<b><u>Agenda item</u></b>
7:30 a.m.	<b>Call to order</b>
7:30 a.m.	<b>Committee charter – Tab A</b>
8:00 a.m.	<b>Preliminary schedule of meetings – Tab B</b>
8:10 a.m.	<b>Redline of board governance manual showing the role of the Audit Committee in the selection of auditors – Tab C</b>
8:30 a.m.	<b>Internal audit plan- Tab D</b>
8:50 a.m.	<b>Adjourn</b>

## **FIRE AND POLICE PENSION ASSOCIATION**

Minutes – Audit Committee Meeting

June 30, 2010

Offices of Causey Demgen & Moore, Inc.  
1801 California Street, Suite 4650  
Denver, CO

**BOARD MEMBERS PRESENT:** Audit Committee Chairman Jack Blumenthal, Tim Nash, and Lyle Hesalroad.

**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 7:41 a.m., Audit Committee Chairman Jack Blumenthal called the meeting to order. Mr. Blumenthal stated that the goal of the initial audit committee meeting would be to develop a charter that would be presented to the board for approval. Dan Slack provided a copy of the Public Employees' Retirement Association of Colorado Charter (PERA) and Mr. Blumenthal provided several examples of corporate audit committee charters.

Mr. Slack and Tim O'Brien reviewed the history of the creation of an FPPA audit committee. Mr. Slack noted that a copy of the minutes from the April 26, 2006, board meeting had been made available for review by the board at its meeting on May 27, 2010. The minutes indicated that during the board meeting on April 26, 2006, Mr. O'Brien had recommended the creation of an FPPA audit committee and had provided a draft audit committee charter to govern the audit committee. Mr. O'Brien subsequently recommended the adoption of the draft charter. Mr. O'Brien also recommended that the scope and responsibilities of the audit committee be reviewed annually. Following discussion at the 2006 meeting, the board adopted the audit committee charter as proposed by Mr. O'Brien. The board also agreed to serve as an audit committee, sitting as a committee of the whole, without the formality of creating a separate audit committee.

Mr. Blumenthal provided a new draft charter for the audit committee. The document was a blend of basic responsibilities and duties taken from sample charters. Mr. Blumenthal led a line-by-line review and discussion of the committee's powers, duties, and reporting obligations as listed in the document.

The audit committee determined that it should accept responsibility for review and approval of the internal and independent auditors and should accept responsibility for overseeing the accounting and financial reporting of FPPA. The committee acknowledged that the board as a whole would be responsible for the review and approval of the annual budget.

The committee discussed the standards of business conduct and actions taken by directors from an ethical and public relations point of view. Mr. Slack stated that the Ethics Policy and the annual Conflict of Interest Disclosure Form, both of which can be found in the Governance Manual, currently help maintain ethical compliance within the organization. Kim Collins noted that the Travel Policy also provides details about the ethical parameters for travel.

The committee discussed gifts to directors and staff that comply with the policies of FPPA, and felt that disclosure of such gifts would be appropriate. Mr. Slack stated that conference evaluation forms completed by directors following conference attendance could include a disclosure section for reporting expenses for meals or activities paid by vendors outside of the official conference agenda or activities. Mr. Slack noted that staff could be required to report the same information. Mr. Blumenthal suggested that any dollar amount greater than \$15 should be reported on the conference evaluation forms. Mr. Nash noted that these evaluation forms are reviewed monthly by the board. The audit committee agreed that the board chairman should monitor and ensure that ethical processes are followed. Mr. Hesalroad suggested that the internal auditor could also monitor this issue and provide a quarterly report to the board or to the chief executive officer. The audit committee agreed that the internal auditor should review travel expenses as part of the internal audit plan.

The committee agreed that the internal auditor should report directly to the board, and the audit committee should approve the audit plan of the internal auditor. Mr. Lindahl and Mr. O'Brien agreed to discuss the process of conducting executive sessions during the audit committee meetings. At 9:00 a.m., Mr. O'Brien left the audit committee meeting.

The committee discussed the audit committee's appropriate powers regarding the independent auditor. The committee agreed that reports by the independent auditor should be reviewed first by the audit committee; subsequently, the audit committee would report details of that report to the board. Mr. Lindahl left the meeting at 9:15 a.m.

Mr. Blumenthal reported to the committee his concern regarding the possibility of the spiking of base pay in the retirement benefit calculation. He requested that the committee consider authorizing a review of retirement benefits awarded by using a sample of retirements from the last 12 months, and then determine what is necessary to address the issue. It was discussed whether Mr. O'Brien might contract with additional internal auditors to assist him in this review. Ms. Collins

noted that the when base pay is increased by more than 10%, staff contacts the employers with questions. She stated that staff would need to research whether FPPA has the legal authority to audit the payroll records of FPPA employers. Mr. Slack noted that this authority may need to be obtained through future legislation. He stated that Mr. Lindahl would be preparing a draft of possible rules changes to present at the September board meeting, if rulemaking would be sufficient to provide a legal basis for such an audit.

Mr. Slack stated that he will revise the audit section of the Governance Manual to reflect the audit committee's decisions. He also noted that, if some of the changes to the audit charter are approved by the board, human resource policies would need to be reviewed and updated. Mr. Slack will work with Mr. Blumenthal to create a draft charter to present at the July 22, 2010, board meeting.

At 9:50 a.m., the audit committee meeting adjourned.