

FIRE and POLICE PENSION ASSOCIATION
Audit Committee Meeting

June 3, 2016

7:30 a.m. **Call to order**

Pam Feely, Chair

Approval of Minutes of April 8, 2016, Audit Committee meeting

7:35 a.m. **Independent Auditor's presentation**

Bill Petri, Michelle Alexander, CliftonLarsonAllen LLP

1. Financial Statement report
2. Governance letter report
3. Audit Committee discussion with Independent Auditor

8:15 a.m. **Review of the December 31, 2015 CAFR**

Kim Collins and Ahni Smith

8:30 a.m. **Determine June 10 Presentation by Audit Committee to Board on Audit/CAFR**

8:45 a.m. **Internal Audit Report on the Network Architecture (Exec Session)**

Kevin Sear, Paragon Audit & Consulting, Inc.

9:30 a.m. **Break**

9:45 a.m. **Proposed updates to Audit Committee Charter to incorporate "Framework for Internal Control"**

*Kevin Sear, Paragon Audit & Consulting, Inc.
Dan Slack*

10:30 a.m. **Evaluation of CliftonLarsonAllen LLP**

10:45 a.m. **Adjourn**

Next Audit Committee Meeting September 16, 2016 7:30 a.m.

1. Internal Audit Reports:
 - a. Review of the 1099R reporting process for compliance with IRS regulations
 - b. Code Red implementation review
2. Internal Auditor 2017 Audit Plans
3. GASB Statement implementation update:
 - a. GASB Statement No. 72, Fair Value Measurement
 - b. GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
4. IT Assessment (Executive Session)
5. Review of open audit findings
6. Financial Statement Audit Plan 12/31/2016
7. Independent Auditor's presentation: GASB 68 Report (SWDB & SWH-DB)

FIRE AND POLICE PENSION ASSOCIATION

Minutes – Audit Committee Meeting

June 3, 2016

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

Committee Members Present: Chair Pam Feely, Jack Blumenthal, and Nick Nuanes

Staff Members Present: Dan Slack, Kim Collins, Kevin Lindahl, Jacquette Tara, Mark Gremmert, and Ahni Smith

Others Present: Kevin Sear, Paragon Audit & Consulting; Bill Petri and Michelle Alexander, CliftonLarsonAllen

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 7:30 a.m., Chair Feely called the meeting to order.

Chair Feely called for approval of the minutes from the April 8, 2016, meeting. Mr. Blumenthal moved for approval of the minutes. Mr. Nuanes seconded. The motion passed.

Audit Report

Independent Auditor's Reports

Mr. Petri and Ms. Alexander, CliftonLarsonAllen (CLA), presented the audit procedures and the results of FPPA's 2015 Financial Statement Audit. CliftonLarsonAllen's (CLA) audit resulted in an unmodified opinion, sometimes referred to as "clean" opinion. CLA's report on internal control over financial reporting stated there were no issues identified of material weaknesses or significant deficiencies in internal controls. CLA's Governance Letter highlights the accounting estimates used for fair value of investments are reasonable and the estimate of the net pension liability determined that actuarial assumptions are reasonable.

CLA handed out a revised opinion adding "emphasis of matter", due to adoption of provisions under the Governmental Accounting Standards Board Statement No. 68 (GASB 68). FPPA reported a restatement for the change in accounting principle. CLA's opinion was not modified with respect to the restatement.

At 7:41 a.m., Chair Feely excused staff from the room to meet privately with CLA. Mr. Slack, Mr. Lindahl, Ms. Collins, Ms. Smith, Ms. Tara, and Mr. Sear left the

meeting.

At 7:57 a.m., Mr. Slack, Mr. Lindahl, Ms. Collins, Ms. Smith, Ms. Tara, and Mr. Sear returned to the meeting.

Comprehensive Annual Financial Report (CAFR)

Ms. Collins noted that the CAFR will be finalized later this month and that FPPA will be applying for the Government Finance Officers Association (GFOA) award. Ms. Collins also noted that, when complete, the CAFR will include photos and artwork with a theme of celebrating FPPA's 35th anniversary in 2015. Ms. Collins and Ms. Smith reviewed sections of the CAFR. Ms. Smith reviewed the modifications to be made to the basic financial and investment sections of the CAFR report before its completion by June 30th.

At 8:03 a.m., Mr. Gremmert joined the meeting.

Staff agreed to generate a synopsis of the CAFR for the June Board meeting, focusing on FPPA's financial status.

To help better analyze and understand the detailed financial changes being made to the CAFR, Mr. Slack suggested staff prepare adjustment sheets and compliance sub-tables for future audit meetings going forward.

The committee requested clarification as to whether payments to consultants are reported on a cash basis or an accrual basis.

Mr. Nuanes moved to recommend to the Board that the CAFR be accepted with adjustments as noted. Mr. Blumenthal seconded the motion. The motion passed.

Ms. Collins discussed the format to be presented at next week's Board meeting, including proposed changes to the Audit Committee Charter

The Audit Committee recognized the invaluable information within the CAFR and thanked staff for their time and dedication to its accuracy.

At 9:04 a.m., Ms. Alexander left the meeting.

At 9:05 a.m., Mr. Blumenthal moved that the Committee adjourn into executive session to discuss confidential matters and security arrangements pursuant to C.R.S. Section 24-6-402(4)(c) and 24-6-402(4)(d). Mr. Nuanes seconded the motion. The motion passed.

At 9:37 a.m., Mr. Blumenthal moved that the Committee return to its regular meeting. Mr. Nuanes seconded the motion. The motion passed. Chair Feely declared that no action was taken during the executive session and no motions were made.

At 9:38 a.m., Chair Feely called for a break. Mr. Gremmert left the meeting.
At 9:50 a.m., the meeting reconvened.

Internal Audit Report on the Network Architecture

Mr. Slack and Mr. Sear discussed the proposed changes to the Audit Charter.

Mr. Nuanes moved the Board adopt the proposed changes to the Audit Committee Charter, including the committee's modification of adding cyber risk to the category of significant risk exposures and control issues. Mr. Blumenthal seconded the motion. The motion passed.

At 10:16 a.m., Mr. Petri left the meeting.

External Auditor (CLA) contract review

Ms. Collins led the Committee through a complete review of the external auditors.

At 10:37 a.m., Mr. Petri rejoined the meeting. The committee asked Mr. Petri to share CLA's practice of controls and whether or not the concurring partner reviews the Audit Plan as well as the report. If the current concurring partner has done the last five year's audits, FPPA would request that CLA come up with a new concurring partner, as opposed to the engagement partner.

Mr. Petri verified that the same concurring partner has reviewed the audit for the past five years. Mr. Petri agreed that it is a common practice and offered to rotate a different engagement partner and concurring partner or Mr. Petri could continue as engagement partner one more year and get a different concurring partner and insure that the new partner reviews the audit plan upfront. A resume of the new concurring partner will be forwarded to FPPA for assurance that they have defined benefit plan experience.

At 10:42 a.m., Mr. Petri left the meeting.

The Committee determined that staff should conduct a Request for Proposals (RFP) for external audit services in 2017. Mr. Blumenthal offered suggestions on how to complete the process. The RFP should be bid out as a package for all audit services as well as independently. Staff will review the proposals with Paragon and rank them in order for the Audit Committee to review.

At 10:57 a.m., Mr. Nuanes moved to adjourn the meeting. Mr. Blumenthal seconded the motion. The motion passed and the meeting adjourned.