

FIRE and POLICE PENSION ASSOCIATION
Audit Committee Meeting
September 16, 2016

- 7:30 a.m. **Call to order**
Jack Blumenthal, Chair
- Approval of Minutes of June 3, 2016**
- 7:35 a.m. **IT Assessment (Executive Session)**
Jeff Ahlerich, Security Pursuit
Mark Gremmert, FPPA IT Director
- 8:35 a.m. **break**
- 8:50 a.m. **Review of open audit findings (Executive Session)**
Kim Collins, FPPA Chief Operations Officer
Mark Gremmert, FPPA IT Director
- 9:20 a.m. **Independent Auditor's presentation: GASB 68 Report (SWDB & SWH-DB)**
Bill Petri and Michelle Alexander, CliftonLarsonAllen
- 9:35 a.m. **Financial Statement Audit Plan 12/31/2016**
Bill Petri and Michelle Alexander, CliftonLarsonAllen
- 9:50 a.m. **Request for Proposals for Audit Services**
Kim Collins, FPPA Chief Operations Officer
- 10:20 a.m. **break**
- 10:30 a.m. **Internal Audit Reports:**
1) Review of the 1099R reporting process for compliance with IRS Regulations
2) Code Red implementation review
Kevin Sear, Paragon Consulting
Ahni Smith, FPPA Accounting Director
Scott Simon, FPPA Chief Investment Officer
- 11:15 a.m. **Internal Auditor 2017 Audit Plan**
Kevin Sear, Paragon Consulting
- 11:45 a.m. **lunch**

12:15 p.m. **Annual Illiquid Alternatives Financial Statement Review**
Scott Simon, FPPA Chief Investment Officer

12:25 p.m. **Update on GASB 72 Implementation**
Ahni Smith, FPPA Accounting Director
Scott Simon, FPPA Chief Investment Officer

12:35 p.m. **Update on GASB 74 and 75 Implementation**
Ahni Smith, FPPA Accounting Director

12:45 p.m. **Adjourn**

Tentative Agenda for Next Audit Committee Meeting
April 14, 2017 7:30 a.m.

1. SSAE 16 SOC 1 Type 2 2016 Report
2. 2016 Financial Audit Update
3. Internal Auditor Presentations (TBD)
4. Finalist Presentations for Audit Services RFP

FIRE AND POLICE PENSION ASSOCIATION

Minutes – Audit Committee Meeting

September 16, 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, Scott Simon, Jacqueline Tara, Mark Gremmert, and Ahni Smith

Others Present: Keith Galante and Kevin Sear, Paragon Audit & Consulting; Bill Petri and Michelle Alexander, CliftonLarsonAllen; Jeff Ahlerich, Security Pursuit

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 7:38 a.m., Chair Blumenthal called the meeting to order.

Chair Blumenthal called for approval of the minutes from the June 3, 2016, meeting. Ms. Feely moved for approval of the minutes. Mr. Nuanes seconded the motion. The motion passed.

Review of Open Audit Findings and IT Assessment

At 7:39 a.m., Ms. Feely moved the Committee adjourn into executive session to discuss documents protected from disclosure under the Colorado "Open Records Act" as allowed under C.R.S. Section 24-6-402(4)(g). Mr. Nuanes seconded the motion. The motion passed.

At 7:42 a.m., Mr. Ahlerich joined the meeting.

At 7:58 a.m., Ms. Feely moved that the Committee return to its regular meeting. Mr. Nuanes seconded the motion. Chair Blumenthal declared that no action was taken during the executive session and no motions were made.

At 7:59 a.m., Ms. Feely moved the Committee adjourn into executive session to discuss security arrangements relating to FPPA's information technology system as allowed under C.R.S. Section 24-6-402(4)(d). Mr. Nuanes seconded the motion. The motion passed.

At 8:55 a.m., Ms. Feely moved that the Committee return to its regular meeting. Mr. Nuanes seconded the motion. Chair Blumenthal declared that no action was

taken during the executive session and no motions were made.

At 8:56 a.m., Chair Blumenthal called for a break.

At 9:15 a.m., the meeting reconvened.

At 9:16 a.m., Ms. Feely moved the Committee adjourn into executive session to finish the discussion regarding documents protected from disclosure under the Colorado "Open Records Act", as allowed under C.R.S. Section 24-6-402(4)(g). Mr. Nuanes seconded the motion. The motion passed.

At 9:46 a.m., Ms. Feely moved that the Committee return to its regular meeting. Mr. Nuanes seconded the motion. Chair Blumenthal declared that no action was taken during the executive session and no motions were made.

At 9:47 a.m., Chair Blumenthal called for a break. Mr. Ahlerich and Mr. Gremmert left the meeting.

At 9:59 a.m., the meeting reconvened.

Audit Report

Independent Auditor's Reports on GASB 68

Mr. Petri and Ms. Alexander, CliftonLarsonAllen (CLA), presented the audit procedures and the results of FPPA's 2015 Governmental Accounting Standards Board Statement No. 68 (GASB 68) schedule of employer contributions and collective pension amounts for the Statewide Defined Benefit Plan and the Statewide Hybrid Plan. The GASB 68 audit resulted in a clean opinion and no relevant exceptions were noted by CLA.

Mr. Petri added that CLA has selected the Statewide Defined Benefit and the Statewide Hybrid-Defined Benefit Plan employers for the 2016 GASB 68 payroll attestation and they have been notified. The 2017 GASB 68 report is scheduled for May 2017 with issue and presentation to the Audit Committee in September 2017.

Following up on the Audit Committee's request for rotation of the second review partner, Mr. Petri discussed CLA's proposed second reviewer, Sean Walker's, bio.

Financial Statement Audit Plan 12/31/2016

Mr. Petri and Ms. Alexander, (CLA), reviewed the 12/31/2016 Financial Statement Audit Plan.

At 9:48 a.m., Chair Blumenthal excused Mr. Petri and Ms. Alexander from the meeting to discuss the current Request for Proposal (RFP) for Professional Audit Services.

Request for Proposals (RFP) for Audit Services

Ms. Collins reviewed the Audit Procurement Policy adopted by the FPPA Board on December 10, 2003. The Policy states: 1) FPPA should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors; and 2) FPPA should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements.

Ms. Collins presented a draft RFP, proposing a contract for services for each of the years ending December 31, 2017-2021. A proposed timeline and process for reviewing of RFPs was also discussed.

The Audit Committee agreed to allow CLA to rebid their services.

Chair Blumenthal suggested the proposers provide a price for a SOC Audit separate from a Financial Statement Audit as well as a combined fee. Ms. Collins will clarify the the separation of the SOC Audit in the RFP.

Questions from all proposers will be collected by Ms. Collins who will draft and forward written responses to all proposers. A second round of questions will also be posed to the finalists. The Audit Committee will receive the RFPs, along with staff's scoring and evaluation, for review prior to the April 2017 meeting.

The Committee agreed staff would provide an evaluation and scoring of the RFPs for the Audit Committee for their review and final selection to present to the Board.

At 10:19 a.m., Mr. Simon joined the meeting.

At 10:25 a.m., Chair Blumenthal called for a break.

At 10:31 a.m., the meeting reconvened. Mr. Petri and Ms. Alexander joined the meeting.

Internal Audit Report on the Network Architecture

Review of the 1099-R

Mr. Sear, Paragon Audit & Consulting (Paragon), discussed FPPA's 1099-R Audit and reporting process for compliance with IRS regulations. The audit resulted in no material findings of any control weaknesses or concerns with the process as a whole.

Paragon suggested a process improvement of issuing 1099-Rs for members and beneficiaries that don't have taxable benefits. Staff is looking to expand the Member Account Portal (MAP) to have this available for self-service downloading by members in the future.

The Committee commended staff for their thoroughness and accuracy in this complicated process.

Code Red Implementation Review

Mr. Sear continued with the audit review of the Investment Team's Code Red, a document management system. Paragon reported weaknesses in five functions and processes within Code Red and gave recommendations for procedures and policies to put into place.

Internal Auditor 2017 Audit Plan

Mr. Sear, the Committee, and staff discussed and agreed on FPPA's 2017 Internal Audit Plan.

Annual Illiquid Alternatives Financial Statement Review

Mr. Simon reviewed the annually compiled audit report of FPPA's illiquid alternative classes.

Update on GASB 72 Implementation

Ms. Smith gave an update on the implementation of Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. This statement addresses accounting and financial reporting related to fair value measurements of assets and liabilities. FPPA is required to implement this statement in the December 31, 2016 Comprehensive Annual Financial Report (CAFR) that is presented to the Audit Committee at the June 2017 meeting.

Update on GASB 74 and 75 Implementation

Ms. Smith continued with an update on the implementation of Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. These statements' objective is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. FPPA is required to implement GASB 74 in the December 31, 2017, Comprehensive Annual Financial Report (CAFR).

At 11:55 a.m., Ms. Feely moved to adjourn the meeting. Mr. Nuanes seconded the motion. The motion passed and the meeting adjourned.