

***Fire & Police Pension Association
Audit Committee Meeting Agenda***

September 24, 2019

7:30 a.m. Mountain Time

- 7:30 a.m. Call to Order.** *Tammy Hitchens, Chair*
- Approval of May 30, 2019 meeting minutes.**
- 7:35 a.m. IT Assessment (Executive Session).** *Presenter: Jeff Ahlerich, Security Pursuit, and Mark Gremmert*
- 8:05 a.m. IT Internal testing review (Executive Session).** *Presenter: Mark Gremmert*
- 8:20 a.m. Review of open audit findings (Executive Session).** *Presenter: FPPA Staff*
- 8:50 a.m. Break**
- 9:05 a.m. Auditor Reports.**
Presenter: Sara Kurtz, Eide Bailly, LLP
1. Governmental Accounting Standards Board (GASB) Statement No. 68 Report on the Statewide Defined Benefit Plan and Statewide Hybrid Plan – Defined Benefit Component.
 2. Financial Statement, GASB 68, and SOC 1 Type 2 Audits Plans 12/31/2019.
 3. GASB Pronouncements Update.
- 9:35 a.m. Annual Private Markets Financial Statement Review.** *Presenter: Scott Simon*
- 9:40 a.m. Internal Auditor Reports.**
Presenter: Courtney Reikofski, BKD, LLP
1. Transition of MUFG Capital Analytics to Hamilton Lane.
 2. Entity level controls review based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model. (Executive Session)
 3. Determine 2020 Internal Audit Plan.
- 10:10 a.m. Determine 2020 Audit Committee Dates.** *Presenter: Kim Collins*
- 10:15 a.m. Evaluation of BKD, LLP.** *Presenter: Dan Slack*
- 10:30 a.m. Adjourn**

Tentative Agenda for Audit Committee Meeting May 2020 at 7:30 a.m.

- Auditor Reports:
 - SSAE 18 SOC 1 Type II 2019 Audit.
 - Independent Auditor's presentation for the period ending December 31, 2019.
 - Financial Statement audit.
 - Independent Auditors' report.
 - Governance report.
 - Independent Auditors' report on Internal Controls.
 - Update on GASB 68 Audit.
 - Audit Committee discussion with Independent Auditor.
- Review of December 31, 2019 Comprehensive Annual Financial Report (CAFR).
- Internal Auditor Reports:
 - To Be Determined.
- Audit Charter review.
- Evaluation of Eide Bailly, LLP.

FIRE AND POLICE PENSION ASSOCIATION

Minutes – Audit Committee Meeting

September 24, 2019

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

Committee Members Present: Chair Tammy Hitchens, Dave Bomberger, Sue Morgan, and Karen Frame.

Staff Members Present: Dan Slack, Kim Collins, Kevin Lindahl, Scott Simon (via phone), Ahni Smith, Mark Gremmert, Matt Wilson, and Karen Moore.

Others Present: Jeff Ahlerich, Security Pursuit; Sara Kurtz, Paul Kane, Jim Schmidt (via phone), Eide Bailly, LLP; Courtney Reikofski, BKD, LLP.

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 Hitchens called the meeting to order.

Mr. Bomberger moved to approve the minutes of the May 30, 2019, meeting. Ms. Frame seconded the motion. The motion passed.

IT Assessment and IT Internal testing review (Executive Session)

At 7:31 a.m., Mr. Bomberger moved the Committee to enter into an Executive Session to discuss information technology security as allowed pursuant to section 24-6-402(4)(d) of the Colorado Revised Statutes. Ms. Frame seconded that motion. The motion passed. The Committee convened into executive session. Staff, auditors, and FPPA contractors were allowed to stay.

At 9:06 a.m., Mr. Bomberger moved that the Committee return to its regular meeting. Ms. Morgan seconded that motion. The motion passed. The Committee returned to its regular meeting. Chair Hitchens declared that no motions were made and no actions were taken during the executive session.

At 9:06 a.m., Chair Hitchens called for a break. Messrs. Wilson and Ahlerich left the meeting.

Review of open audit findings (Executive Session)

At 9:16 a.m., the meeting reconvened.

At 9:16 a.m., Mr. Bomberger moved the Committee to enter into an Executive Session to discuss open audit items related to security matters as allowed pursuant to section 24-6-402(4)(c) of the Colorado Revised Statutes. Ms. Morgan seconded that motion. The motion passed. The Committee convened into executive session. Staff and auditors were allowed to stay.

At 9:34 a.m., Mr. Bomberger moved that the Committee return to its regular meeting. Ms. Morgan seconded that motion. The motion passed. The Committee returned to its regular meeting. Chair Hitchens declared that no motions were made and no actions were taken during the executive session.

Mr. Gremmert left the meeting.

Auditor Reports

Governmental Accounting Standards Board (GASB) Statement No. 68 Report on the Statewide Defined Benefit Plan and Statewide Hybrid Plan – Defined Benefit Component

At 9:35 a.m., the meeting reconvened. Mr. Schmidt joined the conference line. Mr. Kane presented the GASB 68 audit report, reviewing the significant audit areas and explaining the actuarial assumptions and methods. Eide Bailly issued an unmodified opinion on the fairness of the schedules and footnotes for both plans.

Financial Statement, GASB 68, and SOC 1 Type 2 Audit Plans 12/31/2019

At 9:43 a.m., Ms. Kurtz reviewed the Financial Statement and GASB 68 Audit Plans, including task requirements and deliverables, required communications to governance, risk assessment procedures, significant audit areas, and tentative timelines.

Mr. Schmidt reviewed the SOC 1 Type 2 Audit plans and tentative timelines.

The opinion on the financial statement audit will be issued and presented at the May 2020 Committee meeting, the GASB 68 audit will be issued and presented at the September 2020 Committee meeting, and the SOC 1 audit will be issued by February 2020 and presented at the May 2020 Committee meeting.

Mr. Schmidt disconnected from the call.

GASB Pronouncements Update

At 9:51 a.m., Ms. Kurtz reviewed the GASB 68 pronouncement updates highlighting the following pronouncements of most relevance to FPPA: Implementation Guide No. 2018-1, GASB-84 – Fiduciary Activities, Implementation Guide No. 2019-1, and GASB-87 – Leases.

At 10:05 a.m., Mr. Bomberger left the meeting.

Annual Private Markets Financial Statement Review

At 10:06 a.m., Mr. Simon joined the meeting by phone and presented the annual private markets financial statement review. Next year, the report will include only investments that are active or were exited the current year.

Internal Audit Reports

Transition of MUFG Capital Analytics to Hamilton Lane

At 10:10 a.m., Ms. Reikofski reviewed the audit report of the transition of MUFG Capital Analytics to Hamilton Lane. BKD found no unmitigated risks or gaps associated with the roles and responsibilities of Hamilton Lane, other vendors, and FPPA in the Hamilton Lane-related processes.

FPPA will develop a more formal process to document the Chief Investment Officer and Director of Private Markets' review and approval of Hamilton Lane quarterly and annual reports. The process will include procedures performed and a clear sign-off on the reports.

Annual Private Markets Financial Statement Review revisited

Per Ms. Frame's request, future private markets financial statement reports will be accompanied with a memo explaining the report.

Internal Audit Reports (continued)

Entity level controls review based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model.

The Committee determined that the meeting would remain in open session. Ms. Reikofski reviewed the 2019 internal audits completed and the 2019 Risk Assessment based on the COSO 2013 framework.

Determine 2020 Internal Audit Plan

Ms. Reikofski directed the Committee to the 2020 possible audits. The Committee, staff, and the auditors discussed the proposed audits.

At 10:44 a.m., Ms. Morgan moved to recommend to the Board to proceed with the following audit areas from the BKD presentation totaling \$38,800 in audit costs:

- Item #1 - Review Entity Level controls based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model and update risk assessment.
- Item #3 - Evaluate staff payroll process and identify gaps. Assess the new Fidelity system implementation. Test paperwork for salary changes including the testing of staff bonuses.
- Item #4 - Audit expense reports for compliance with FPPA Policy and potential reputation risk. Review the implementation of the Concur expense management system.
- Item #8 - Assess disaster recovery protocols.
- Item #10 – Audit Committee, Management Meetings, and Internal Audit Management

Ms. Frame seconded the motion. The motion passed.

Ms. Collins confirmed that the Committee would like to consider for the 2021 audits, Item #5 - Evaluate processes for allocating investment results and expenses and the rationale for allocating results and expenses to each pool.

Determine 2019 Audit Committee Dates

The Committee approved the following 2020 meeting dates: May 12 and September 15. The meetings start at 7:30 a.m.

Evaluation of BKD, LLP

At 10:36 p.m., Mses. Kurtz and Reikofski and Mr. Kane left the meeting. The Committee discussed the evaluation of BKD.

Adjournment

Ms. Morgan moved to adjourn the meeting. Ms. Frame seconded the motion. The motion passed.

At 10:53 a.m., Chair Hitchens declared the meeting adjourned.