

AUDIT COMMITTEE MINUTES 8-11-10

2010 COMMITTEE MEMBERS

PRESENT

- Simon S. Russin, Chair
- Estevan R. Valenzuela, Secretary
- John Barger
- Herman B. Santos

ABSENT

- Ed C. Morris, Vice Chair
- Les Robbins

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

- Diane Sandoval

AUDIT COMMITTEE CONSULTANT

- Timothy O'Brien (Tele-conference)

STAFF, ADVISORS, PARTICIPANTS

- Richard Bendall
- Janice Golden
- Robert Hill
- Beulah Auten
- Bernie Buenaflor
- Lisa Mazzocco
- Robb Van Der Volgen
- Amit Aggarwal
- Nathan Amick
- Elvia Gonzalez
- Ted Granger
- Ruwen Liu
- George Lunde
- John McClelland
- Sarah Marks

1. APPROVAL OF THE MINUTES OF THE REGULAR AUDIT COMMITTEE MEETING OF MARCH 17, 2010

A motion was made, by Mr. Barger, to approve the, March 17, 2010, Audit Committee Meeting minutes as prepared. Mr. Santos' requested staff revise the minutes to reflect his absence. The motion, including Mr. Santos' requested modification, passed with a unanimous vote.

2. PUBLIC COMMENT

No items to report.

3. PRESENTATIONS

1. Internal Audit — Achievements: 2009-2010 Goals: 2010-2011

Richard Bendall, Chief, Internal Audit, presented an overview of Internal Audit's achievements for fiscal year 2009-2010, and goals for fiscal year 2010-2011. The overview included a presentation of key projects completed and in progress, as well as key projects to be undertaken in the 2010- 2011 fiscal year.

Mr. Valenzuela complimented Internal Audit for the 83% audit plan completion rate, for fiscal year 2009-2010.

4. REPORTS

1. Internal Audit Staffing Report

Richard Bendall, Chief Internal Auditor (Oral presentation only)

Mr. Bendall discussed recent staffing changes within Internal Audit.

2. Audit Plan Status Report — Fiscal Year End June 30, 2010

Richard Bendall, Chief Internal Auditor

Sarah Marks, Principal Internal Auditor

(Memo dated July 7, 2010)

Prior to the discussion of the Audit Plan Status Report, Mr. Bendall and Ms. Marks updated the Committee on the formatting modifications made to the Audit Plan Status Report. These changes were based on suggestions made by the Audit Committee at the March 17, 2010 meeting. The modifications include the following:

- Expanded detail of "Project Status"
- Modification to priority coding
- Addition of a graphical status bar
- Allocation of project and staff hours
- Next ten upcoming projects

Mr. Bendall discussed the actual Audit Plan Status Memo and the accompanying report. For fiscal year ended June 30, 2010, Internal Audit completed 67 projects and began 21, which are currently in progress and will be carried over to the 2010-2011 fiscal year audit plan.

A discussion ensued as to the scope and purpose of various audits.

3. Summary of Significant Work Completed/In-Progress Since Last Audit Committee Meeting [As of June 30, 2010]

Richard Bendall, Chief Internal Auditor

(Memo dated June 30, 2010)

Mr. Bendall indicated the memo reflects the current status of each project, broken down by division. Final reports for projects completed since the last Audit Committee meeting and not previously distributed, are attached to the memo.

4. Status of Other External Audits Not Conducted at the Discretion of Internal Audit

No items to report.

5. ACTION ITEMS

1. Recommendation as submitted by Richard Bendall, Chief-Internal Audit and Sarah Marks, Principal Internal Auditor:

Approve the Fiscal Year 2010-2011 Audit Plan as presented.

(Memo dated July 8, 2010)

Mr. Bendall gave an overview of the report, highlighting formatting changes to the report, as well as the next ten projects to be initiated, following the completion of projects currently in progress. A discussion ensued, regarding Internal Audit's prioritization of audit projects for commencement and completion.

6. FOR INFORMATION ONLY

1. Association of Certified Fraud Examiners (ACFE) — 2010 Report to the Nation on Occupational Fraud and Abuse

The report was briefly discussed. Mr. Russin pointed out, according to the report, most frauds are uncovered by employee tipsters. Ms. Marks discussed the possibility of taking action to make LACERA Staff more aware of the Internal Audit Hotline.

Mr. Barger inquired as to the resources LACERA uses to recover overpayments. Staff informed Mr. Barger and the Committee as to the various policies and processes LACERA has to collect overpayments.

7. CONSULTANT COMMENTS

Timothy O'Brien – Audit Committee Consultant

(Oral presentation only)

Mr. O'Brien complimented Internal Audit Staff on the changes made to the Audit Plan Report. Mr. O'Brien also highlighted a recent fraud uncovered in the Colorado Public Employees Retirement Association.

8. GOOD OF THE ORDER

Ms. Sandoval complimented Mr. Benda!! on Internal Audit's improvements made to the Audit Plan and Audit Plan Status Report formats.

Mr. Valenzuela thanked staff for their patience, regarding the lack of a quorum and the need to reschedule the July 21, 2010 Audit Committee Meeting. Mr. Valenzuela also commended the changes made to the Audit Plan Status Report.

Ms. Marks congratulated Ruwen Liu, Senior Internal Auditor, for passing her Level 2 CFA exam.

9. ADJOURNMENT

 PROMISED BENEFITS | In 1937, a promise was made to County employees; we exist to uphold that promise.

3/9/11