

AGENDA

MEETING OF THE AUDIT COMMITTEE AND/OR BOARD OF RETIREMENT AND/OR BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. Lake Avenue, Suite 810
Pasadena, CA 91101

December 3, 2015 – 1:00 p.m.

2015 COMMITTEE MEMBERS

Alan Bernstein – *Chair*
Joseph Kelly – *Vice Chair*
Diane A. Sandoval – *Secretary*
John Barger
David Green
Shawn Kehoe

AUDIT COMMITTEE CONSULTANT

Timothy O'Brien

I. APPROVAL - MINUTES OF THE REGULAR AUDIT COMMITTEE MEETING OF JULY 15, 2015

(Attached)

II. PUBLIC COMMENT

III. EXECUTIVE SUMMARY

Richard Bendall, *Chief Audit Executive*
(Memo Dated: December 3, 2015)

IV. ACTION ITEMS

A. Recommendation that the Audit Committee interview and select individual to hire for the Audit Committee Consultant position as submitted by Richard Bendall, *Chief Audit Executive*, and Leisha Collins, *Principal Internal Auditor*.
(Memo Dated: November 16, 2015)

B. Recommendation as submitted by Richard Bendall, *Chief Audit Executive*: That based on a review and consideration of staff's evaluation, candidate proposals, and presentations, Internal Audit recommends the Audit Committee forward a recommendation to the Board of Retirement and Board of Investments to select the law firm Alston & Bird and their subcontractor Stroz Friedberg to perform an audit and data mapping of LACERA's operations insofar as they involve private, confidential, and business critical information.

(Memo Dated: November 19, 2015)

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V. REPORTS

A. **Brown Armstrong Presentation of the Reports – June 30, 2015**

Agenda and Reports from Brown Armstrong et. al.

- *Report on Internal Control Over Financial Reporting and on Compliance*
- *Required Communications to the Audit Committee*
- *Agreed Upon Conditions Report*

Andrew J. Paulden, CPA, Managing Partner

Alaina C. Sanchez, CPA

B. **Internal Audit Staffing Report**

Richard Bendall, Chief Audit Executive

(Verbal Presentation)

C. **Audit Plan Status Report – November 20, 2015**

Richard Bendall, Chief Audit Executive

(Report Dated: November 20, 2015)

D. **Recommendation Follow-Up Report**

Quoc Nguyen, Principal Internal Auditor

(Memo Dated: November 18, 2015)

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

Richard Bendall, Chief Audit Executive

(Verbal Presentation Only)

VI. FOR INFORMATION ONLY

A. Audit Reports

(Attached Under Separate Cover)

1. Foreign Payees Audit

Nathan Amick, Internal Auditor

(Report Issued: October 16, 2015)

2. Human Resources Audit

Liebert, Cassidy, Whitmore (LCW), External Audit

(Memo Dated: November 16, 2015)

3. PEPRA 960 Hours Testing

Nathan Amick, Internal Auditor

(Report Issued: November 20, 2015)

4. LACERA Building Renovation – Tenant Improvements Audit

Christina Logan, Senior Internal Auditor

(Report Issued: November 24, 2015)

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5. Returned ADR Audit
Darla Vidger, *Internal Auditor*
(Report Issued: November 24, 2015)
6. Software License Compliance Audit
Gabriel Tafoya, *Senior Internal Auditor*
(Report Issued: November 24, 2015)

VII. CONSULTANT COMMENTS

Timothy O'Brien, *Audit Committee Consultant*
(Verbal Presentation)

VIII. GOOD OF THE ORDER

(For Information Purposes Only)

IX. CHIEF AUDIT EXECUTIVE GOAL REPORT

(Memo Dated: November 18, 2015)

X. EXECUTIVE SESSION

A. Performance Evaluation

[Pursuant to Government Code Section 54957(b)(1)]

Title: Chief Audit Executive

XI. ADJOURNMENT

*The Board of Retirement and Board of Investments have adopted a policy permitting any member of the Boards to attend a standing committee meeting open to the public. In the event five (5) or more members of either the Board of Retirement and/or the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement and/or Board of Investments. Members of the Board of Retirement and Board of Investments who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. Except as set forth in the Committee's Charter, the only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.

Documents subject to public disclosure that relate to an agenda item for an open session of the Board and/or Committee that are distributed less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the members of any such Board and/or Committee at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101 during normal business hours [e.g., 8:00 a.m. to 5:00 p.m. Monday through Friday].

Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626)-564-6000 extension 3327, from 8:00 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.

MINUTES OF THE AUDIT COMMITTEE

REGULAR MEETING OF THE AUDIT COMMITTEE AND BOARD OF RETIREMENT AND/OR BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. Lake Avenue, Suite 810
Pasadena, CA 91101

December 3, 2015 – 1:03 p.m.

2015 COMMITTEE MEMBERS

PRESENT: Alan Bernstein – *Chair*
Joseph Kelly – *Vice Chair*
Diane A. Sandoval – *Secretary*
John Barger

ABSENT: David Green
Shawn Kehoe

BOARD MEMBERS AT LARGE

None

AUDIT COMMITTEE CONSULTANT

Timothy O'Brien

STAFF, ADVISORS, AND PARTICIPANTS

Gregg Rademacher	Beulah Auten	Brown Armstrong
Robert Hill	Bernie Buenaflor	Andrew Paulden
John Popowich	Derwin Brown	Elena Sanchez
Richard Bendall	Roxana Castillo	
Nathan Amick	Calvin Chang	Alston & Bird
Sylvia Botros	Gloria Harriel	Dominique Shelton
Leisha Collins	Ted Granger	Paula Stannard
Elvia Gonzalez	Cynthia Guider	
Christina Logan	Kimberly Hines	Stroz Friedberg
George Lunde	Cookie Jaranilla	David Garrett
Quoc Nguyen	Dmitriy Khaytovich	
David Redman	Mary Phillips	
Gabriel Tafoya	James Pu	
Darla Vidger	Steven Rice	
	Cassandra Smith	
	Roberta Van Nortrick	

MINUTES OF THE AUDIT COMMITTEE

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I. APPROVAL OF THE MINUTES OF THE REGULAR AUDIT COMMITTEE MEETING OF JULY 15, 2015

Mr. Bernstein called for a motion to approve the Minutes of the Audit Committee Meeting of July 15, 2015. A motion for approval was presented by Mr. Kelly. A second was provided by Ms. Sandoval. The Minutes were approved with one abstention by Mr. Barger.

II. PUBLIC COMMENT

No items to report.

III. EXECUTIVE SUMMARY

Richard Bendall, *Chief Audit Executive*

Mr. Bendall provided an overview of the December 3, 2015 Audit Committee meeting and updates to the Audit Committee meeting book.

IV. ACTION ITEMS

- A. Recommendation that the Audit Committee interview and select individual to hire for the Audit Committee Consultant position as submitted by Richard Bendall, *Chief Audit Executive*, and Leisha Collins, *Principal Internal Auditor*.
(Memo Dated: November 16, 2015)

Ms. Collins provided an overview of the Audit Committee search process as well as some background information on the two finalist candidates that will be presented for consideration of and selection by the Committee. Following the candidate interviews and some additional discussion of the Committee's changing needs. Mr. Barger moved that the Committee selected Rick Wentzel, a partner of Grant Thornton, to serve as the new Audit Committee Consultant provided that staff negotiated the fee. A second was provided by Ms. Sandoval. The motion was unanimously approved.

- B. Recommendation as submitted by Richard Bendall, *Chief Audit Executive*: That based on a review and consideration of staff's evaluation, candidate proposals, and presentations, Internal Audit recommends the Audit Committee forward a recommendation to the Board of Retirement and Board of Investments to select the law firm Alston & Bird and their subcontractor Stroz Friedberg to perform an audit and data mapping of LACERA's operations insofar as they involve private, confidential, and business critical information.
(Memo Dated: November 19, 2015)

Mr. Bendall provided a brief overview of LACERA's privacy program and practices and the need for an external audit of LACERA's privacy operations. Mr. Rice then provided a summary of LACERA's search and comprehensive due diligence process to evaluate potential firms to perform an audit and data mapping of LACERA's

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operations insofar as they involve private, confidential, and business critical information. The candidate presentation immediately followed. Upon completion, Mr. Kelly moved that the Audit Committee forward a recommendation to the Board of Retirement and Board of Investments to select the law firm Alston & Bird and their subcontractor Stroz Friedberg. Mr. Barger provided a second. The motion was unanimously approved.

V. REPORTS

A. **Brown Armstrong Presentation of the Reports – June 30, 2015**

Agenda and Reports from Brown Armstrong et. al.

- *Independent Auditor's Report on the Audited Financial Statements re LACERA and the OPEB Trust for the Fiscal Year ended June 30, 2014*
 - *[included] Independent Auditor's Opinion*
- *Report on Internal Control Over Financial Reporting and on Compliance*
- *Required Communications to the Audit Committee*
- *Agreed Upon Conditions Report*

Andrew Paulden, *Managing Partner*

Elena Sanchez, *Senior Accountant*

Mr. Paulden informed the Committee that Connie Perez, former partner in Brown Armstrong, had left the firm to pursue a congressional office.

Ms. Sanchez and Mr. Paulden then presented the work performed by Brown Armstrong to audit LACERA's financial statements for the Fiscal Year-End of June 30, 2015. LACERA's financial statements were given an unqualified or clean opinion; there were no material weaknesses or significant deficiencies reported.

B. **Internal Audit Staffing Report**

Richard Bendall, *Chief Audit Executive*
(*Verbal Presentation*)

Mr. Bendall welcomed two new audit staff, Christina Logan and Gabriela Tafoya, both of whom are senior internal auditors.

C. **Audit Plan Status Report – November 20, 2015**

Richard Bendall, *Chief Audit Executive*
(*Report Dated: November 20, 2015*)

Mr. Bendall described the Audit Plan cycle and gave a high level recap of work performed since the last Audit Committee meeting.

D. **Recommendation Follow-up Report**

Quoc Nguyen, *Principal Internal Auditor*
(*Memo Dated: November 18, 2015*)

Mr. Nguyen described the nature and schedule of the Recommendation Follow-Up Report and how it provides the status of management's progress toward audit recommendations.

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Mr. Nguyen then gave an overview of the Recommendation Aging Report and progress on any outstanding recommendations.

Mr. Kelly inquired about the progress of an outstanding recommendation which was addressed by Ms. Hines. Ms. Hines reported that the outstanding recommendation would be addressed during the coming fiscal year.

VI. FOR INFORMATION ONLY

A. Audit Reports

(Attached Under Separate Cover)

1. Foreign Payees Audit
Nathan Amick, *Internal Auditor*
(Report Issued: October 16, 2015)
2. Human Resources Audit
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4. LACERA Building Renovation – Tenant Improvements Audit
Christina Logan, *Senior Internal Auditor*
(Report Issued: November 24, 2015)
5. Returned ADR Audit
Darla Vidger, *Internal Auditor*
(Report Issued: November 24, 2015)

Mr. Kelly had a question regarding the LACERA automatic deposit receipt mailings and associated costs. Mr. Bendall responded that the focus of the audit was actually the returned automatic deposit receipts. Mr. Rademacher clarified the purpose of the automatic deposit receipts and the benefits of the mailing process to stay in contact with members and mitigating certain risks.

6. Software License Compliance Audit
Gabriel Tafoya, *Senior Internal Auditor*
(Report Issued: November 24, 2015)

Mr. Kelly recommended that it would be appropriate for audit staff to review and comment on software license planning and administration.

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VII. CHIEF AUDIT EXECUTIVE GOAL REPORT

(Memo Dated: November 18, 2015)

Mr. Bendall provided an overview of the Internal Audit divisional goals.

VIII. CONSULTANT COMMENTS

Timothy O'Brien, *Audit Committee Consultant*

(Verbal Presentation)

Mr. O'Brien recommended that the Audit Committee membership should be more permanent. He also noted that the Committee should continue to be vigilant and involved. Finally, Mr. O'Brien lauded the outstanding presentation skills of Mr. Andrew Paulden.

IX. GOOD OF THE ORDER

(For Information Purposes Only)

Mr. Bendall and the Committee thanked Mr. O'Brien for his service to the Committee.

X. EXECUTIVE SESSION

A. Performance Evaluation

[Pursuant to Government Code Section 54957(b)(1)]

Title: Chief Audit Executive

XI. ADJOURNMENT

The meeting adjourned at 3:20 p.m.

DV/dv