# FIRE AND POLICE PENSION ASSOCIATION
## Audit Committee Meeting
### October 31, 2012
## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Agenda item</th>
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<tr>
<td>7:30 a.m.</td>
<td><strong>Call to order</strong>&lt;br&gt;Jack Blumenthal, Chair</td>
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<tr>
<td>7:35 a.m.</td>
<td><strong>Approval of Minutes of April 19, 2012</strong></td>
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<td>7:45 a.m.</td>
<td><strong>Evaluation of Independent Audit Services</strong></td>
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<td>7:35 a.m.</td>
<td><strong>Election of Audit Committee Chair</strong></td>
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<td>7:45 a.m.</td>
<td><strong>Review Audit Committee charter</strong>&lt;br&gt; Audit Committee Chair</td>
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<td>8:00 a.m.</td>
<td><strong>Break</strong></td>
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<td>8:15 a.m.</td>
<td><strong>2012 internal audit reports</strong>&lt;br&gt;Tim O'Brien, Internal Auditor</td>
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<td>1. Internal Audit of Unclaimed Accounts, Audit 2012-06</td>
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<td>2. Internal Audit of Member Enrollments and Data changes, Audit 2012-10</td>
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<td>3. Follow up items from prior internal audit reports</td>
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<td>8:45 a.m.</td>
<td><strong>Proposed 2013 internal audit plan</strong>&lt;br&gt;Tim O'Brien, Internal Auditor</td>
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<td>9:15 a.m.</td>
<td><strong>Clifton Larson Allen presentation</strong>&lt;br&gt;Bill Petri and Steve Shanks</td>
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<td>1. 2013 Audit Plan</td>
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<td>2. Changes in accounting standards or procedures that will be employed in the audit</td>
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<td>a. GASB 63</td>
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<td>3. Other financial accounting changes to be incorporated in the future</td>
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<td>a. GASB 67</td>
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<td>b. OPEB</td>
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<td>4. Other Matters</td>
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<td>a. Clifton Larson Allen merger update</td>
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<td>b. Staffing changes to audit team</td>
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<td>10:15 a.m.</td>
<td><strong>Discussion of Audit Committee assessment of external auditor</strong>&lt;br&gt;Jack Blumenthal</td>
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<td>10:30 a.m.</td>
<td><strong>Adjourn</strong></td>
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Committee Members Present: Chairman Jack Blumenthal, Lyle Hesalroad and Pam Feely

Staff Members Present: Dan Slack, Kim Collins, Gina McGrail, Scott Simon, Kevin Lindahl and Jacquette Tara

Others Present: Tim O’Brien, FPPA Internal Auditor; Bill Petri, Steve Shanks and Michelle Alexander, CliftonLarsonAllen (CLA)

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 7:32 a.m., Chair Blumenthal called the meeting to order.

Chair Blumenthal called for approval of the minutes from the April 19, 2012, meeting. Mr. Hesalroad moved for approval of the minutes. Ms. Feely seconded the motion. The motion was approved, with Ms. Feely abstaining.

Ms. Feely moved to nominate Jack Blumenthal as 2013 Audit Committee Chair. Mr. Hesalroad seconded the motion. The motion passed.

The Audit Committee charter was reviewed and there were no recommendations for changes.

Mr. Slack discussed the evaluation of Independent Auditor form completed at the April 2012 Audit Committee meeting.

In reviewing the recent publication “Audit Committee Annual Evaluation of the External Auditor”, Chair Blumenthal suggested and the committee agreed that an item be added to FPPA’s evaluation of the 2012 audit that reads:

*Does the independent auditor understand our business and our industry, e.g., by demonstrating an understanding of our specific business risks, processes, systems and operations, by sharing relevant industry experience, and by providing access to firm experts on industry and technical matters?*
Mr. O’Brien discussed the Internal Audit of Unclaimed Accounts and Enrollments and Changes to Member Data.

Unclaimed Accounts

Based on the test work performed and the audit findings noted, Mr. O’Brien concluded that FPPA has adequate procedures for the identification and disposition of abandoned and unclaimed property assets of the Statewide Defined Benefit Plan, the Statewide Hybrid Plan and the Colorado Springs New Hire Pension Plans within the state of Colorado’s Unclaimed Property Act.

Recommendation #1: FPPA should formalize all aspects of this function.

Staff agreed that there may be some confusion regarding the overall responsibility of the project as both the Benefits and Operations Divisions work to collect the information needed to report to the State. The Operations Division has historically been the contact for the State Treasurer’s office regarding the Unclaimed Property Act. Staff from the Benefits Division will assist in this process by identifying and attempting to locate members who are owed a retirement benefit or a refund of contributions. FPPA’s Payables Accounting Manager is responsible for the coordination of data collection between the Benefits and Operations Divisions and preparing the reporting for the State. The Payables Accounting Manager is also responsible for documenting the procedures and will review the parameters for this process on an annual basis. Ultimately, it is the responsibility of the Chief Operations Officer who reviews the report and signs off on the annual project. This information will be included in the procedures manual and shared with the Benefits and Operations Divisions.

Recommendation #2: Develop policies and procedures to identify and, if necessary, dispose of unclaimed or abandon accounts held by the third party administrator.

Fidelity implemented a new system for stale-dated checks in May 2012. Staff is currently working with Fidelity to determine their new process and FPPA’s responsibilities. Staff will work to document the new procedures, once finalized.

Recommendation #3: FPPA should document its procedures to identify outstanding checks that may be required to be reported and forwarded to the state Treasurer.

Staff will work to document the procedures.

Enrollments and Changes to Member Data

Based on the test work performed and the audit findings noted, Mr. O’Brien concluded that FPPA has adequate procedures for the enrollment of members and
changes to members’ data.

Recommendation #1: FPPA should assure that the Medical History form is complete.

The completion of the Statewide Standard Health History Form (SSHiF) is a requirement of Colorado Revised Statutes Section 31-31-810. As noted in §31-31-810(1)(c)(II), the employer is responsible for insuring that a SSHiF is completed and filed timely with FPPA. If the SSHiF is incomplete, missing, or filed late the employer may be liable for payment of the disability.

FPPA has not had to date an employer pay the disability benefit because of information reported on the SSHiF. Any issue of employer liability would be sent to the Hearing Officer for review and consideration.

Currently if a SSHiF is late or missing, the Contributions Team sends a letter to the employer notifying them of their potential liability. We will modify our process to send a similar letter if the SSHiF is incomplete.

Update on Audit Findings Matters

Ms. Collins updated the committee on projects currently in progress and also the status of those projects concluded and reported since December 2011.

Proposed 2013 Internal Audit Plan

Mr. O’Brien presented a proposed 2013 audit plan including both continuous auditing concepts and future audit topics. The committee agreed with the proposed plan for 2013 to complete internal audits on: 1) Withdrawals and Refunds; 2) Member/Employer Contributions; 3) Private Capital Investment Processes; and 4) Non-retiree payroll expenditures (FPPA operating and payroll). Mr. O’Brien will work with Mr. Slack on the implementation of the continuous auditing concept proposed by Mr. O’Brien.

Mr. Slack commented that the recommendation for the custodian bank will be brought to the December Board meeting. Should the Board institute a change of custodians, an investment audit may be needed to assure that issues surrounding the transition were accounted for and handled accurately.

At 8:48 a.m., Chair Blumenthal called for a break.

At 8:55 a.m., the meeting reconvened. Curt Huntsman, Melanie Winters and Bob Billings joined the meeting. Ms. McGrail left the meeting.
2013 Audit Plan

Bill Petri, Steve Shanks and Michelle Alexander from CliftonLarsonAllen presented the 2013 Audit plan. The presentation included:

- Requirements and Deliverables
- Required SAS No. 114 Communications
- Changes for the 2012 Audit
- Risk Assessment Procedures
- Consideration of Fraud
- Fraud Interviews
- Brainstorming Meetings
- Preliminary Analytical Analysis
- Planning Materiality
- Significant Processes and Audit Areas
- Internal Audit
- New GASB Pronouncements
- Final Items
- Tentative Schedule
- Audit Committee Input

Mr. Petri noted that the uniqueness of FPPA’s statutory contribution rate and multiple employer programs raises concern over the upcoming changes to financial reporting under GASB 67 and GASB 68. Chair Blumenthal raised the question as to whether the probable additional actuarial reporting costs should be the responsibility of the employers. Mr. Slack reported that this issue has been in discussion in the public plan community, but currently remains an open question. Ms. Collins noted that the recently received responses to the actuarial services RFP incorporated additional fees to account for the additional work required by GASB 67 and GASB 68.

Michelle Alexander was introduced as a new associate with CLA. Ms. Alexander will be working on the FPPA audit.

Once the Board has approved the 2013 Board meeting dates, FPPA will work with CLA to set appropriate meeting dates for presentations.

At 9:50 a.m., Ms. Feely moved to adjourn. Mr. Hesalroad seconded the motion. The meeting adjourned.