

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

July 15, 2015 – 9:00 a.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 MARCH 18, 2015 *(Attached)*

II. PUBLIC COMMENT

III. EXECUTIVE SUMMARY

Richard Bendall, *Chief Audit Executive*
(Memo Dated: June 30, 2015)

IV. REPORTS

A. Internal Audit Annual Report – Fiscal Year End 2015

Richard Bendall, *Chief Audit Executive*
Darla Vidger, *Internal Auditor*
(Report Dated: June 30, 2015)

B. Recommendation Follow-Up Report

Quoc Nguyen, *Principal Internal Auditor*
(Memo Dated: June 30, 2015)

V. ACTION ITEMS

- A. Recommendation that the Audit Committee approve the **Internal Audit Plan - Fiscal Year End 2016** as submitted by Richard Bendall, *Chief Audit Executive* and Darla Vidger, *Internal Auditor*.
(Memo Dated: June 30, 2015)

AGENDA – REGULAR MEETING OF THE AUDIT COMMITTEE

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B. Recommendation that the Audit Committee:

- 1) Provide direction to staff on the proposed Statement of Work for the Audit Committee Consultant and,
- 2) Approve the revised Statement of Work and authorize staff to issue a Request for Proposal (RFP) for an Audit Committee Consultant as submitted by Richard Bendall, *Chief Audit Executive* and Leisha Collins, *Principal Internal Auditor*.
(Memo Dated: June 30, 2015)

VI. FOR INFORMATION ONLY

- A. Audit of Private Equity
(Report Issued: June 25, 2015)
- B. External Business Partner Security/Privacy Review
(Report Issued: July 10, 2015)
- C. Systems Governance Assessment
(Report Issued: July 2, 2015)
- D. Vendor Master File Fraud Testing
(Report Issued: July 2, 2015)
- E. Wire Transfer Audit
(Report Issued: July 2, 2015)

VII. CONSULTANT COMMENTS

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

VIII. GOOD OF THE ORDER

(For Information Purposes Only)

IX. ADJOURNMENT

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***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].

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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

July 15, 2015 – 9:05 a.m.

2015 COMMITTEE MEMBERS

PRESENT: Alan Bernstein – *Chair*
Joseph Kelly – *Vice Chair*
Diane A. Sandoval – *Secretary*
David Green

ABSENT: John Barger
Shawn Kehoe

BOARD MEMBERS AT LARGE

None

AUDIT COMMITTEE CONSULTANT

Timothy O'Brien

STAFF, ADVISORS, AND PARTICIPANTS

Gregg Rademacher	Beulah Auten	Penelope Rodriguez
Robert Hill	Bernie Buenaflor	Jeannine Smart
John Popowich	Derwin Brown	Cassandra Smith
Richard Bendall	Roxana Castillo	Christopher Wagner
Nathan Amick	Calvin Chang	
Sylvia Botros	Cynthia Guider	
Leisha Collins	Ted Granger	
Elvia Gonzalez	Gloria Harriel	
George Lunde	Leilani Ignacio	
Quoc Nguyen	John McClelland	
David Redman	James Pu	
Darla Vidger	Steven Rice	

MINUTES OF THE AUDIT COMMITTEE

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I. APPROVAL OF THE MINUTES OF THE REGULAR AUDIT COMMITTEE MEETING OF MARCH 18, 2015

Mr. Bernstein called for a motion to approve the Minutes of the Audit Committee Meeting of March 18, 2015. A motion for approval was presented by Ms. Sandoval. A second was provided by Mr. Green. The Minutes were unanimously approved.

II. PUBLIC COMMENT

No items to report.

III. EXECUTIVE SUMMARY

Richard Bendall, *Chief Audit Executive*
(Updated: July 15, 2015)

Mr. Bendall provided an overview and purpose of the July 15, 2015 Audit Committee meeting.

IV. REPORTS

A. Internal Audit Annual Report – Fiscal Year End 2015

Richard Bendall, *Chief Audit Executive*
Darla Vidger, *Internal Auditor*
(Memo Dated: June 30, 2015)

Mr. Bendall noted that the current Audit Plan Status Report covers the Fiscal Year Ended 2015 and Internal Audit staffing updates. Mr. Bendall provided a brief overview of work performed in the 2015 Fiscal Year and how staffing has positioned Internal Audit well for the 2016 Fiscal Year.

B. Recommendation Follow-Up Report

Quoc Nguyen, *Senior Internal Auditor*
(Memo Dated: June 30, 2015)

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

Mr. Nguyen summarized the audit recommendation activity between February 1, 2015 and May 31, 2015.

V. ACTION ITEMS

- A. Recommendation that the Audit Committee approve the Internal Audit Plan – Fiscal Year End 2016 as submitted by Richard Bendall, Chief Audit Executive and Darla Vidger, Internal Auditor.
(Memo Dated June 30, 2015)

Mr. Bendall provided an overview of the 2016 FYE Internal Audit Plan presentation and the key areas covered in the Plan. Mr. Bendall then discussed the Annual Risk

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Assessment process as well as the Control Self-Assessments conducted with management and how this shaped the Annual Audit Plan.

B. Recommendation that the Audit Committee:

- 1.) Provide direction to staff on the proposed Statement of Work for the Audit Committee Consultant and,
- 2.) Approve the revised Statement of Work and authorize staff to issue a Request for Proposal (RFP) for an Audit Committee Consultant as submitted by Richard Bendall, *Chief Audit Executive* and Leisha Collins, *Principal Internal Auditor*.

(Memo Dated: June 30, 2015)

Ms. Collins discussed Internal Audit's plans to search for a qualified Audit Committee Consultant as well as the proposed Consultant's Statement of Work.

Mr. Bernstein called for a motion regarding staff's recommendation. A motion for approval was presented by Mr. Green. A second was provided by Ms. Sandoval. The motion was passed unanimously to issue the RFP to search for a qualified Audit Committee Consultant.

VI. FOR INFORMATION ONLY

Mr. Kelly and Mr. Rademacher asked for clarification from Mr. Rice regarding how to give staff direction or guidance on audit reports provided in the *For Information Only* section of the Agenda. Mr. Rice responded that verbal direction without requiring formal action by staff is appropriate. Mr. Kelly asked how best to categorize the audit reports in the future. Mr. Rice responded that in the future these reports can be categorized as *For Discussion and Action* on the Agenda.

Following this conversation, Mr. Kelly provided staff direction and suggestions on ways to improve the quality of future audit reports. Comments included a detailed discussion with management and staff on opportunity areas within the reports presented in the meeting.

A. Audit of Private Equity

Quoc Nguyen, *Principal Internal Auditor*
(Report Dated: June 25, 2015)

B. External Business Partner Security/Privacy Review

David Redman, *Senior Internal Auditor*
(Report Dated: July 10, 2015)

C. Systems Governance Assessment

George Lunde, *Senior Internal Auditor*
(Report Dated: July 2, 2015)

D. Vendor Master File Fraud Testing

Nathan Amick, *Internal Auditor*
(Report Dated: July 2, 2015)

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E. Wire Transfer Audit

Leisha Collins, *Principal Internal Auditor*

(Report Dated: July 2, 2015)

VII. CONSULTANT COMMENTS

Timothy O'Brien, Audit Committee Consultant

(Verbal Presentation)

Mr. O'Brien had no additional comments.

VIII. GOOD OF THE ORDER

(For Information Purposes)

Mr. Bendall thanked the Audit Committee for their constructive feedback. Ms. Sandoval congratulated staff for their work. Mr. Kelly noted that Internal Audit is generally under-appreciated. He further stated that Internal Audit is a mechanism through which a trustee can begin to gauge if an agency manages its business well and that this is the main reason Internal Audit is so important to LACERA. Mr. Green echoed the comments of Mr. Kelly and thanked staff for their time.

IX. ADJOURNMENT

The meeting was adjourned at 10:40 a.m.

DV/dv