

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

**BOARD OF RETIREMENT  
2223 WELLINGTON AVENUE, SUITE 100  
SANTA ANA, CA 92701**

**AUDIT COMMITTEE MEETING**

**March 29, 2017  
9:00 a.m.**

**MINUTES**

The Chair called the meeting to order at 9:02 a.m. and read the opening statement for the record. Attendance was as follows:

Present: Charles Packard, Chair; Frank Eley, Vice Chair; Eric Gilbert; Shari Freidenrich

Staff: Brenda Shott, Assistant CEO; Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Gina Ratto, Chief Legal Officer; David James, Director of Internal Audit; Mark Adviento, Internal Auditor; Anthony Beltran, Audio/Visual Technician; Brenda Vazquez, Recording Secretary

Guest Linda Hurley, Macias, Gini & O'Connell, LLP (MGO), Presenter

**A. 2016 FINANCIAL STATEMENT AUDIT – ENTRANCE CONFERENCE**

*Introduction by Tracy Bowman, Director of Finance, and Presentations by Linda Hurley, Macias Gini & O'Connell*

**Recommendation:** Receive and file Macias Gini & O'Connell, LLP's (MGO) 2016 Service Plan.

Linda Hurley, from Macias Gini & O'Connell (MGO), presented its 2016 Audit Service Plan, which identified the engagement service team for the audit; timeline for deliverables; highlights of MGO's audit approach, scope and objectives; and overall summary of audit responsibilities.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Gilbert to receive and file *Macias Gini & O'Connell, LLP's (MGO) 2016 Service Plan*.

The **motion passed unanimously**.

**B. AUDIT OF CITY OF SAN JUAN CAPISTRANO PAYROLL TRANSMITTALS**

*Presentation by David James, Director of Internal Audit*

**Recommendation:** Receive and file.

Mr. James presented the report *Audit of City of San Juan Capistrano Payroll Transmittals*. He discussed recommendations for the audit.

Ms. Freidenrich directed staff to request San Juan Capistrano's updated written procedures of manual payroll transmittals that resulted from the audit report findings.

Mr. Packard suggested that Internal Audit should have written findings statements that should be signed off by the auditee as a point of reference for follow-up purposes to audits.

Mr. James also noted that OCERS' current procedures regarding reciprocity forms prevent the error noted in the audit report's finding #4 from occurring today.

Following discussion, a **motion** was made by Mr. Gilbert, **seconded** by Mr. Eley to receive and file the audit of City of San Juan Capistrano Payroll Transmittals.

The **motion passed unanimously.**

**C. CONSIDERATION OF REVISIONS TO THE INTERNAL AUDIT CHARTER AND AUDIT COMMITTEE CHARTER**

*Presentation by David James, Director of Internal Audit*

**Recommendation:** Take appropriate action.

Mr. James presented the Audit Committee Charter and Internal Audit Charter with revisions from Committee feedback provided at the February 2017 Audit Committee meeting. Mr. James noted that the charters' revisions asked for by Committee Members clarified existing practices at OCERS.

Ms. Freidenrich asked for one further revision in the Audit Committee Charter under "Responsibilities and Duties, 5. d. 6."

Following discussion, a **motion** was made by Mr. Gilbert, **seconded** by Mr. Eley to approve changes to the Audit Committee Charter and Internal Audit Charter and send to the Board for approval.

The **motion passed unanimously.**

**D. DIRECTION FROM THE BOARD OF RETIREMENT – INVESTMENT FEES**

*Presentation by David James, Director of Internal Audit*

**Recommendation:** Take appropriate action.

Mr. James discussed direction from the February 2017 Regular Board meeting that the issue of investment fees be transferred to the Audit Committee for further study and recommendation.

Shanta Chary, Director of Investment Operations and Stina Walander-Sarkin, Investment Analyst answered questions from the Committee regarding the Investments Division's annual investment fee report.

Following discussion, the Committee directed Investments staff to present at the April 17, 2017 Regular Board meeting an educational presentation about the construction of OCERS' annual investment fee report and how it may help OCERS comply with California Government Code Section 7514.7 (A.B. No. 2833).

**E. STATUS OF INTERNAL AUDITS AND AUDIT PROJECTS**

*Presentation by David James, Director of Internal Audit*

**Recommendation:** Receive and file.

Mr. James presented the status of current audit projects. In progress audit projects include the Actuarial Audit RFP, the Finance and Investments Transfer Review, the Reciprocity Claims Audit, and the V3 Data Conversion Audit.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Gilbert to receive and file the Update on Status of Internal Audits and Projects.

The **motion passed unanimously.**

The committee moved to closed session at 11:25 a.m.

**\*\*\*\*\* END OF INDIVIDUAL ITEMS AGENDA \*\*\*\*\***

**CLOSED SESSION ITEM**

**F. THREAT TO PUBLIC SERVICES OR FACILITIES  
(GOVERNMENT CODE SECTION 54957)**

*Consultation with Jon Gossard, OCERS Security Operations Manager, and Gina M. Ratto,  
OCERS Chief Legal Officer*

**Recommendation:** Receive and file.

The Committee reconvened at 12:10 p.m.

The Chair reported **no reportable action.**

Meeting adjourned at 12:11 p.m.

**PUBLIC COMMENTS:**

None

**COMMITTEE MEMBERS COMMENTS:**

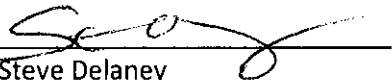
None

**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS:**

**Submitted by:**

**Approved by:**

Audit Committee Meeting  
March 29, 2017



Steve Delaney  
Secretary to the Committee



Charles Packard  
Committee Chair