

Illinois Municipal Retirement Fund

Meeting No: 13-11-A

Audit Committee

The Audit Committee met at the IMRF office in Oak Brook, Illinois on Friday, November 22, 2013, at 8:00 AM. Committee members Henry, Kuehne and Stafford were present; internal auditors Samz and Davidyan, external auditors Gabouer and Barrientos, IS auditors Gerschoffer and Poluga from Crowe Horwath and staff members DeCleene, Duquette, Engstrom, Kosiba, Nannini, Splitt, Woollen and O'Brien.

Mrs. Henry served as chairperson and called the meeting to order at 8:00 a.m.

(13-1-01) (Approval of Minutes)

Minutes of the May 31, 2013, meeting was approved on a motion by Stafford, seconded by Kuehne. The motion carried unanimously.

(13-11-02) (Review of Audit Committee Performance versus charter past twelve months)

The Audit committee reviewed the Committee's performance over the past twelve months as compared to the responsibilities laid out in its charter.

(13-11-03) (Review of Audit Committee Response to Self-Assessment)

The Committee reviewed the results of their self-evaluation and determined compliance with the charter.

(13-11-04) (Report on Compliance Activity)

Ms. O'Brien reported on several items including Harassment Training completed by all employees electronically, Code of Conduct training to take place December 5 and 6 for all employees, and two complaints were received and investigated on the hot-line. These two complaints contained issues regarding employees and no bearing on controls.

(13-11-05) (Report on 2013 Internal Audit Work performed by Crowe Horwath)

Ms. Poluga reported on three internal audit reports: 1) Network Security Assessment, 2) Internal Penetration Assessment, and 3) External Penetration Assessment. .

Server access and protocols on the network were tested, all deficiencies (weak passwords) were noted have been addressed by Management. She went on to explain wireless access will be tested next week. She explained that Crowe and management worked together to make sure security controls were operating effectively.

(13-11-06) (Report on 2014 Internal Audit Work to be performed by Crowe Horwath)

Ms. Poluga and Mr. Gerschoffer explained that the proposed work plan for 2014 was designed to focus on areas impacted by the Horizon project.

(13-11-07) (Acceptance of Crowe Horwath Arrangement Letter)

A recommendation to have the Board of Trustees accept Crowe Horwath arrangement letter for internal control testing of the IS operations for 2014 was approved.

Motion by Kuehne and seconded by Stafford, the motion was unanimously approved for the proposed fee for the 2014 work of \$96,250.

(13-11-08) (Presentation of the 2013 External Audit Services Plan for IMRF 2013 Financial Statements and Implementation of GASB 68)

Mr. Gabouer and Ms. Barrientos of KPMG presented information on their 2013 audit services plan for the Fund's 2013 financial statements and assistance in the implementation of GASB 68 for the Fund's employers. They discussed the scope of their services and their approach to GASB 68 reporting and the use of GRS information for GASB 68 compliance.

(13-11-09) (Acceptance of 2014 KPMG Arrangement Letter)

A recommendation to have the Board of Trustees accept KPMG arrangement letter for 2014 audit services, was approved.

Motion by Kuehne and seconded by Stafford, the motion was unanimously approved for the proposed fee for the 2014 work of \$133,145.

(13-11-10) (Presentation of 2014 Internal Audit Plan)

Ms. Davidyan made a recommendation to have the Board of Trustees authorize management to solicit proposals for internal control testing of the management processes that will be an integral part of the Horizon Project. She explained that an independent assessment of the business control would be the objective of this work. The cost is estimated to be \$230,000 and is included in the 2014 administrative expense budget to be reviewed at today's Board of Trustees meeting.

Motion by Kuehne and seconded by Stafford, the motion was unanimously approved to embarked on this endeavor.

(13-11-11) (Private Sessions with the External and Internal Auditors)

After excusing management representatives, the Committee met separately with the internal auditors from Crowe Horwath, the external auditors from KPMG and IMF's internal audit manager.

(13-11-12) (Adjournment)

A motion was made by Stafford, seconded by Kuehne to adjourn the meeting. The motion was unanimously approved at 9:14 a.m. The Audit Committee will be reconvened at the Oak Brook office of IMRF on Friday May 23, 2014.

Chairperson

Date

Clerk

Date