

## **Illinois Municipal Retirement Fund**

### **Meeting No: 14-11-A**

#### **Audit Committee**

The Audit Committee met at the IMRF office in Oak Brook, Illinois on Friday, November 21, 2014, at 8:00 AM. Committee members Henry, Kuehne, Stanish and Piechocinski were present. Board member Stafford was also present. Also present were internal auditor Julia Davidyan, external auditors Gabouer, Barrientos and Baid from KPMG, IS auditors Gerschoffer and Poluga from Crowe Horwath and staff members Duquette, Kosiba, Nannini, Shah, Woollen and O'Brien.

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

#### (14-11-01) (Approval of Minutes)

Minutes of the August 22, 2014 meeting were approved on a motion by Ms. Henry, seconded by Mr. Piechocinski. The motion carried unanimously.

#### (14-11-02) (Report on Compliance Activity)

Ms. O'Brien reported on five complaints that were received and investigated through the code of conduct hot-line. These complaints contained issues regarding employee relations and employee conduct and appropriate actions were taken, as deemed necessary by staff. These had no bearing on controls or financial performance.

#### (14-11-03) (Report on 2014 IS Internal Audit Work Performed by Crowe Horwath)

Ms. Poluga summarized the results of Crowe's work surrounding three internal reports: 1) External Penetration Assessment 2) Internal Penetration Assessment, and 3) Network Security Assessment. She touched on several high, moderate, and low risk areas identified by Crowe's work. Ms. Poluga went on to explain about the social engineering testing conducted during the external penetration assessment and findings and the recommendations made to management. There was a discussion surrounding how employees should respond to emails from unauthorized sources if they appear to be from legitimate internal departments such as HR.

#### (14-11-04) (Acceptance of Crowe Horwath's 2015 Arrangement Letter)

Mr. Gerschoffer pointed to the proposed scope of work listed with the proposed 2015 work plan. A recommendation to have the Board of Trustees accept Crowe Horwath arrangement letter for internal control testing of the IS operations for 2015 was approved. Motion by Mr. Piechocinski and seconded by Ms. Henry was unanimously approved for the proposed fee for the 2015 work of \$69,750.

#### (14-11-05) (Presentation of the 2014 External Audit Plan for IMRF's 2014 Financial Statements and Implementation of GASB 68)

Mr. Gabouer and Ms. Barrientos of KPMG presented information on their 2014 audit plan for the Fund's 2014 financial statements and assistance in the first year of the implementation of GASB 68 for the Fund's employers. Mr. Gabouer discussed the scope of

their services and planned areas of emphasis. He also addressed a question presented by Ms. Henry regarding testing of the valuation of marketable securities. Ms. Barrientos presented GASB 68 implementation plan, which was noted to be in accordance with the AICPA White Paper approach issued earlier this year. She further noted that based on survey administered by IMRF staff, 1,500 employers indicated they will need an opinion on their information presented in the schedule of *Changes in Fiduciary Net Position*. KPMG and IMRF are currently working on a quote for the services needed to provide such opinion to the requesting employers. KPMG's Mr. Baid was also present to discuss results of the controls readiness assessment recently conducted, related to the SOC I Type II report to be issued in 2015. He noted that IMRF's staff is working on enhancing documentation of controls and that KPMG's final report with recommendations will be made available to the Board of Trustees during the December 2014 meeting.

(14-11-06) (Acceptance of 2015 KPMG Arrangement Letter)

A recommendation to have the Board of Trustees accept KPMG's 2015 arrangement letter for the audit of the 2014 financials was approved on a motion by Mr. Piechocinski and seconded by Ms. Stanish. The motion carried unanimously. The proposed 2015 fees for the 2014 financial statements audit are \$137,140.

(14-11-07) (Presentation of 2015 Internal Audit Plan)

Ms. Davidyan presented the 2015 internal audit plan focusing on the risk assessment process and the areas of emphasis, including employer audits. Mr. Kuehne did question how frequently employers are being audited and whether IMRF looks into elected officials or attorneys participating in the plan as part of the audit process. Ms. Davidyan addressed both questions, which are part of the scope of the employer audits program.

(14-11-08) (Other Business)

None

(14-11-09) (Private Sessions with Internal and External Auditors)

After excusing management representatives, the Committee met with the internal auditors from IMRF and Crowe Horwath, and separately with the external auditor from KPMG.

(14-11-10) (Adjournment)

The meeting adjourned at 8:59 a.m. to be reconvened at the Oak Brook office of IMRF in May 2015.

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Chairperson

Date

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Clerk

Date