

# **Illinois Municipal Retirement Fund**

## **Meeting No: 15-5-A**

### **Audit Committee**

The Audit Committee met at the IMRF office in Oak Brook, Illinois on Friday, May 29, 2015, at 8:00 AM. Committee members Henry, Kuehne, and Stanish were present; board member Miller was also present. Internal auditor Davidyan, external auditors Gabouer, Barrientos and Kozlik, and staff members Kosiba, Duquette, Nannini, Shah, O'Brien and Bianchetta were present. Also present was Hannah Wildus of Seyfarth Shaw LLP.

(15-5-01) Mrs. Henry served as chairperson and called the meeting to order at 8:00 a.m.

#### (15-5-02) (Approval of Minutes)

Minutes of the January 30, 2015, special audit committee meeting (with correction on second page, second paragraph) were approved on a motion by Mrs. Stanish, seconded by Mr. Kuehne. The motion carried unanimously.

#### (15-05-03) (Presentation of Results of 2014 Financial Statements Audit)

Mr. Gabouer of KPMG discussed information in connection with their work on the 2014 financial statements including GASB 68 (Schedule of Changes in Fiduciary Net Position by Employer for 2014) and a document that outlined KPMG's responsibilities under generally accepted auditing standards. KPMG tentatively expects to issue their opinion on the 2014 financials and the GASB 68 schedule on June 10, 2015, pending review by their national office. Mr. Gabouer further touched on a few misstatements identified as they relate to the CAFR and the GASB 68 schedule, all of which were corrected by the Fund. There were no major matters that were brought to the Committee's attention.

Mrs. Barrientos presented current status and information in connection with the GASB 68 schedule. She discussed the combined efforts of KPMG and IMRF staff (Finance, Internal Audit, Benefits, IS), challenges, and the magnitude of the test work related to this schedule. Mrs. Barrientos touched on the difficulty encountered during the reconciliation process of the Spectrum system to the general ledger to support the allocation by employer in the schedule. Mrs. Stanish inquired whether the new Horizon system is expected to address such issues in the future. Mr. Nannini responded that since Spectrum is not an accounting system there are limitations to the accessibility of data and Horizon will be designed to address such issues.

Mr. Kosiba questioned whether IMRF will be billed for additional hours in light of the workload presented by KPMG. Mr. Gabouer reiterated the initial assumptions made by KPMG and the challenges encountered with the samples selected and the schedule itself. Mrs. Henry asked whether a change order will be needed and Mr. Kuehne followed-up with a clarification question on additional fees. Mr. Gabouer answered that KPMG did go over budget and additional billings will be sent to IMRF (along with supporting detail), but not to exceed the initial range of up to 1494 employers (in total) provided at the January 30, 2015, special audit committee meeting.

Following deliberations among the Audit Committee members in regards to the recommendation to the full board, the following motion was made by Mr. Kuehne, seconded by Mrs. Stanish:

*The audit committee recommends the board approve the CAFR and the supporting GASB 68 schedule (addendum II) subject to the Audit Committee's review and acceptance thereof during a teleconference in June.*

The motion carried unanimously.

(15-05-04) (Report on the Completion of the 2014 Internal Audit Plan)

Mrs. Davidyan reported on the completion of work on the 2014 Internal Audit Plan including the employer audit program. Mrs. Davidyan concluded that, based upon the internal audit work completed, IMRF's internal controls were working effectively.

Mrs. Henry asked about the death match process and Internal Audit's responsibilities as they relate to the weekly work done in this area. Mrs. Davidyan explained the majority of the process is handled by the Treasury Unit with Internal Audit as oversight.

Mrs. Stanish inquired whether the number of findings from employer audits was declining. Mrs. Davidyan responded that at this time staff has not yet completed a full cycle of all IMRF employers and that findings (number and type) are similar to prior years. Mrs. Henry asked about dissatisfied survey results. Mrs. Davidyan answered that satisfaction surveys are closely reviewed to assess staff training needs.

(15-05-05) (Private Sessions with Internal and External Auditors)

The Committee met separately with the external and internal auditors having excused management representatives.

(15-05-06) (Review of Draft of the 2014 Comprehensive Annual Financial Report)

Since an overview of the CAFR work was done by KMPG in their presentation, Mr. Nannini only added the next steps in the process, such as the upcoming work with SOC 1 Type II report in August, 2015.

(15-05-07) (Other Business)

None

(15-05-08) (Adjournment)

Audit Committee members thanked staff and the Benefits, IS, Finance and Internal Audit departments for their efforts. A motion was made by Mr. Kuehne, seconded by Mrs. Stanish to adjourn the meeting. The motion was unanimously approved at 8:57 a.m. The Audit Committee will reconvene via the phone, tentatively in June 2015.

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Chairperson \_\_\_\_\_ Date \_\_\_\_\_

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Clerk \_\_\_\_\_ Date \_\_\_\_\_