

Illinois Municipal Retirement Fund

Meeting No: 15-8-A

Audit Committee

The Audit Committee met at the IMRF office in Oak Brook, Illinois on Friday, August 28, 2015, at 8:00 AM. Committee members Henry and Stanish were present. Internal auditor Davidyan, external auditors Gabouer, Barrientos, and Kozlik, and staff members Kosiba, Nannini, Woollen, Duquette, Shah, and O'Brien were present.

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

(15-8-02) (Approval of Minutes)

Minutes of the May 29, 2015 and June 25, 2015 audit committee meetings were approved on a motion by Mrs. Henry, seconded by Ms. Stanish. The motion carried unanimously.

(15-8-03) (Presentation of 2014 Schedule of Changes in Fiduciary Net Position by Employer/ Addendum II)

Mr. Gabouer of KPMG discussed results of the 2014 audit of Schedule of Changes in Fiduciary Net Position by Employer. Mr. Gabouer mentioned that there were no unusual transactions or disagreements with management and that the schedule did include judgments and estimates based upon the requirements set forth in the statute. A motion to adopt the statement was made by Ms. Stanish, seconded by Mrs. Henry. The motion was unanimously approved.

(15-8-04) (Review of 2014 Audit Plan for the Schedule of Changes in Fiduciary Net Position by Employer/ Addendum II)

Mr. Gabouer presented the KPMG 2014 Audit Plan for the Schedule of Changes in Fiduciary Net Position by Employer and reviewed the objectives of the audit, scope of testing, the timeline and fees. Mr. Gabouer further discussed the hours estimated vs. actual time his team spent and the final billing. He discussed the delays experienced by KPMG and some of the challenges they encountered.

Executive Director Louis Kosiba presented feedback and comments from IMRF staff on the audit process. He further provided the committee with status of GASB 68 implementation work, also performed by KPMG (different office/team), at Texas Municipal Retirement System. Mr. Kosiba noted this retirement system paid considerably lower fees for their audit but did note they had their auditors also issue a SOC 1 Type II report. The committee and staff discussed this difference in approach and it was noted that the SOC 1 Type II for the first year of implementation was not an option for IMRF due to the timing of when the AICPA whitepaper came out in 2014 and the decision made by former IMRF CFO not to begin early adoption of the GASB 67/68 standards.

Audit Committee members made note of a discrepancy between the estimated fees and the final amount billed by KPMG, as well as with the dates presented in KPMG's timeline. Mrs. Henry requested that a change order be put together in reference to the cost discrepancy to be presented for the audit committee to review.

(15-8-05) (Discussion on Items Impacting 2015 Budget)

Mr. Nannini discussed the 2016 budget for the proposed financial audit work related to the CAFR and the SOC 1 Type II report. Mrs. Henry requested that IMRF submit an RFP for the 2016 financial audit and proposed a special audit committee meeting next month to discuss the RFP and the change order related to the cost discrepancy within KPMG's 2014 Audit Plan of the Schedule of Changes in Fiduciary Net Position by Employer/ Addendum II.

Ms. Davidyan discussed the addendum to the initial engagement letter (signed November 2014) from Crowe Horwath (IMRF's IT Auditors), following the completion of their annual risk assessment of IMRF's systems in operation. An additional item related to testing of the new GP Dynamics system (used by the Finance Department) was added to the scope of services, resulting in a \$5,750 increase in fees. Ms. Stanish made a motion to approve the budget item, seconded by Mrs. Henry. The motion was passed unanimously.

Finally, Mrs. Henry congratulated IMRF on winning the Government Finance Officers Association Distinguished Budget Presentation Award for the first time.

(15-8-06) (Other Business)

Mr. Nannini responded to the 2014 Audit Management letter and explained that IMRF staff are striving to improve this process and continue to work on controls and backup systems that were not present in the past.

Mrs. Henry shared insights from serving on various audit committees and discussed briefly the documents she provided with the agenda related to the objectives and the important function of the audit committee.

(15-8-07) (Adjournment)

A motion was made by Ms. Stanish, seconded by Mrs. Henry to adjourn the meeting. The motion was unanimously approved at 8:52 a.m. The Audit Committee will reconvene via a special committee meeting, tentatively in September 2015.

Chairperson

Date

Clerk

Date