



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 9

MEETING DATE: January 17, 2018

SUBJECT: New Audit Committee

SUBMITTED FOR: ___ Consent X Deliberation and Action ___ Receive and File

RECOMMENDATION

Staff recommends that the Board establish an Audit Committee, approve the Audit Committee Charter, and appoint Audit Committee members.

PURPOSE

The purpose of the Audit Committee is to serve as an advisory committee to the Retirement Board on matters of the integrity of SCERS' finances, financial reporting, operations, and internal controls.

DISCUSSION

Establishing an Audit Committee is recommended as a best practice by the Government Finance Officers Association (GFOA). GFOA notes that three groups are responsible for the quality of financial reporting, including the governing body, the organization's financial management and staff, and the independent auditors. Of these three, the governing body is the ultimate monitor of the financial reporting process. An Audit Committee is a practical means for the Retirement Board to provide independent review and oversight of SCERS' financial reporting processes, internal controls, and independent auditors.

GFOA recommends that an Audit Committee be formally established by charter. Attached is an Audit Committee charter which anticipates that at least three but no more than five members of Board serve as Audit Committee members. It is anticipated that the Audit Committee would meet at least two times per year, including once prior to the independent audit and a second time prior to the conclusion of the audit.

BACKGROUND

Following the presentation at the Retirement Board Meeting on December 20, 2017 by Brown Armstrong Accountancy Corporation of the results of their recent independent audit, discussion

followed regarding the merits of establishing an Audit Committee for SCERS, and it was agreed that this item would be included on an Agenda in early 2018.

ATTACHMENTS

Audit Committee Charter

/S/

Kathryn T. Regalia
Chief Operations Officer

/S/

Eric Stern
Chief Executive Officer

AUDIT COMMITTEE CHARTER

I. INTRODUCTION

The Board of Retirement ("Board") has established an Audit Committee to assist in overseeing the audit function for the Sacramento County Employees' Retirement System (SCERS).

II. PURPOSE

The purpose of the Audit Committee is to serve as an advisory committee to the full Board on matters of the integrity of the trust fund's finances, financial reports, operations, and internal controls.

III. MEMBERSHIP

The Audit Committee will consist of at least three and no more than five members of the Board. The Board President will appoint members of the Audit Committee as provided in the SCERS Bylaws and designate one member to serve as the Committee Chairperson.

Ideally, members should have expertise in accounting, auditing, financial reporting, and internal control. Although these desired traits are not mandatory, members should be sufficiently knowledgeable about these topics to make informed recommendations with the assistance of a financial expert.

IV. MEETINGS

The Audit Committee will meet at least twice each year, with authority to convene additional meetings as circumstances require. All Audit Committee members are expected to attend each meeting. Three Audit Committee members present at the meeting shall constitute a quorum. No motion may be passed or business transacted without three affirmative votes. The Chief Executive Officer or designee will attend the Audit Committee meetings and may request that other staff attend the Audit Committee meetings. Meeting notices will be provided to interested parties in conformance with applicable laws, regulations, customs, and practices. All meetings are subject to the Ralph M. Brown Act, Government Code Section 54950 *et seq.* Meeting agendas will be prepared and provided in advance to Audit Committee members, along with appropriate briefing materials. Minutes of meetings will be prepared. Minutes of the meeting will contain a record of persons present, decisions taken, and a high level summary of the discussion.

V. RESPONSIBILITIES AND DUTIES

The Audit Committee's areas of responsibility are:

1. Reviewing recommendations of SCERS staff and the independent auditor regarding audited financial statements, SCERS internal controls and audit and compliance plans;
2. Reviewing and addressing audit and compliance review findings;
3. Monitoring compliance with policies and oversight of SCERS' internal controls;
4. Overseeing the appointment of the independent auditor;
5. Ensuring the independence of the independent auditor;
6. Ensuring that the independent auditor has all necessary opportunities to share its findings with the committee or the Board as appropriate;
7. Identifying other specific subject matters that the full Board deems appropriate.
8. Meeting with SCERS' senior management, employees, internal auditors, Independent auditor, outside counsel, and/or specialists, as necessary to assist the Board with audit matters.
9. The Audit Committee shall meet with the independent auditor conducting the financial statement audit at least once a year separately, without management.

VI. REPORT AND RECOMMENDATION TO THE FULL BOARD

The Audit Committee will report its activities and make recommendations to the full Board. All formal actions taken at committee meetings must be considered for approval by the full Board at a scheduled and properly noticed full Board meeting.