

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
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BOARD OF PENSION TRUSTEES
AUDIT COMMITTEE
PUBLIC MINUTES OF JULY 19, 2019

The meeting of the Audit Committee was called to order by Mark Finrock, Chair, at 9:00 a.m. at 3 Mill Road, Wilmington, DE 19807.

Committee Members Present

Mark Finrock
Robert Paretta
Kathy White
Stephen Ritchie
Jim Burke
Araya Debessay

Committee Members Absent

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Stephenie Tatman, Pension Office
Ann Marie Johnson, Deputy Attorney General
Khairat Makanjuola, Pension Office
Sophia Smith, Windmark
Keith Hammond, BDO
James Doyle, BDO
Brock Thomas, BDO
Joseph Seibert, KPMG
Bert Scoglietti, OMB

1. OPENING COMMENTS

M. Finfrock welcomed everyone to the Audit Committee meeting. Mr. Finfrock thanked D. Craik for everything he has done for the Office of Pensions.

2. APPROVAL OF THE MINUTES

The Audit Committee reviewed the Public Minutes of the May 3, 2019 meeting.

MOTION made by R. Paretta and seconded by J. Burke to approve the Public Minutes of the May 3, 2019 meeting.

MOTION ADOPTED UNANIMOUSLY

The Audit Committee reviewed the Executive Minutes of the May 3, 2019 meeting.

MOTION made by R. Paretta and seconded by S. Ritchie to approve the Executive Minutes of the May 3, 2019 meeting, subject to edits discussed in Executive Session.

MOTION ADOPTED UNANIMOUSLY

3. EXTERNAL AUDIT REPORT

J. Doyle announced that Keith Hammond had recently been promoted to Partner and will be the lead partner for our external audit.

K. Hammond reported that the GASB Schedules have been completed. He stated that BDO's responsibilities are forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in conformity with accounting principles generally accepted in the USA.

The overall audit strategy is to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design further audit procedures, responsive to assessed risks.

BDO's planned scope for the audits identified the following significant risks during their risk assessment procedures:

- Investment valuation and related investment income
- Contributions
- Actuarial valuation (including underlying census data)

K. Hammond stated he had already sent requests to K. Mankanjuola and that DPERS has been very responsive. Mr. Hammond reported that their time-line looks very good.

B. Thomas referred to the audit timeline stating planning is anticipated to occur in July and August 2019 and year-end fieldwork will occur September and October 2019, with release of the opinion and financial statements expected to occur before November 20, 2019, which is the deadline outlined from the Auditor of Accounts. Subsequent audits of the GASB 68 and GASB 75 schedules will be finalized in the spring of 2020.

MOTION made by R. Paretta and seconded by K. White to move into Executive Session for the purpose of discussing confidential financial information, sensitive commercial information, and proprietary business information.

MOTION ADOPTED UNANIMOUSLY

MOTION made by R. Paretta and seconded by K. White to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

4. INTERNAL AUDIT REPORT

No Report.

5. Risk MANAGEMENT REPORT

No report.

6. MEETING DATES

The next Audit Committee will be held on October 18th.

7. DEPUTY ATTORNEY GENERAL REPORT

No report.

8. NEW BUSINESS

No report.

MOTION made by R. Paretta and seconded by K. White to move into Executive Session for the purpose of discussing confidential financial information, sensitive commercial information, and proprietary business information.

MOTION ADOPTED UNANIMOUSLY

MOTION made by R. Paretta and seconded by K. White to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by S. Ritchie and seconded by R. Paretta to approve the Internal Audit Report.

MOTION ADOPTED UNANIMOUSLY

MOTION made by S. Ritchie and seconded by R. Paretta to approve the 2020 Internal Audit Plan, subject to comments made for clarity. To recommend to the Board to extend the KPMG Internal Audit Contract for two additional years.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. Burke and seconded by K. White to move into Executive Session for the purpose of discussing confidential financial information, sensitive commercial information, and proprietary business information.

MOTION ADOPTED UNANIMOUSLY

MOTION made by R. Paretta and seconded by K. White to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

9. ADJOURNMENT

At 12:06 p.m., there being no further business,
MOTION was made by R. Paretta and seconded by
K. White to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pensions Administrator

Mark Finrock, Chair
Audit Committee