

Minutes
Arkansas Fire and Police Pension Review Board (PRB)
Audit Committee Meeting

The Audit Committee of the Arkansas Fire and Police Pension Review Board met on Thursday, May 15, 2014, in the PRB office located at 620 W. 3rd, Suite 200, Little Rock, Arkansas.

Members Present: Richard Drilling, DF&A Member, Chairman
Mayor Jackie McPherson, Employer Member

Excused Member: Farris Hensley, Police Employee Member

Staff Present: David Clark, Executive Director
Robert Bartholmey, Chief Financial Officer
Crystal Holsted, Recording Secretary to the Committee

Chairman Drilling called the meeting to order at 10:37 a.m. and recognized a quorum and notification of news media. Chairman Drilling stated that we would excuse Mr. Hensley.

Andy Richards, BKD CPAs & Advisors, auditor for the Board, presented the auditor's report and financial statements for year ended December 31, 2013. Mr. Richards stated that BKD provides a risk-based audit, to make sure all items of the system are accurate and operate efficiently. Through the auditing process, no significant deficiencies were found.

Internal Controls: lower level control deficiencies were found in the accounting personnel segregation of duties. In a perfect world you would have one (1) person for each task; however, you have to measure the cost benefit analysis of being able to completely segregate the duties when you have a limited number of staff with specialized knowledge in accounting. There is mitigated risk in compensated controls and review processes in place that help keep the risk low. Mr. Richards stated that Board Members are part of the review process; all PRB Members should seek to understand the financial statements. Mr. McPherson stated that most small communities are written up during their audits for not having enough staff to fully separate duties; however, our system is efficient. Mr. Clark stated that the level of scope and quality of this audit has been tremendously thorough and the system has established a good working relationship with a solid audit firm. Mr. Clark stated that BKD has offered suggestions that staff has and will implement. Chairman Drilling asked what staff would try to implement. Mr. Clark stated that while there is a limit to the segregation of duties, we are going to maximize that limit as much as we can to achieve greater transparency and provided an example of the securing of check stock. Mr. Richards stated this is our first year to look at the system and next year we might see some additional items. Chairman Drilling asked if BKD would have the same auditors coming back or if they would be rotated. Mr. Richards stated that it depends on the client and the audit; they can do either for the system. Mr. Drilling stated that sometimes when auditors rotate it causes a learning curve and staff could spend more time teaching the system's programs and internal controls. Mr. Clark added that as part of the audit of internal controls, staff was provided an extensive questionnaire to complete for BKD.

Mr. Richards concluded his report and offered his appreciation for the opportunity to complete the PRB audit and the cooperation of staff. Mr. Drilling stated that in his experience staff is professional and achieves a high degree of accuracy, even with items as delicate as Premium Tax distribution.

Mr. McPherson made a motion, seconded by Chairman Drilling to accept the 2013 PRB audit. The motion passed unanimously.

With no other business to discuss, Mr. McPherson made a motion, seconded by Chairman Drilling to adjourn. The motion passed unanimously. The Committee adjourned at 10:59 a.m.

Respectfully submitted,

Approved 06/11/14

Crystal Holsted
Recording Secretary to the Committee