

**MINUTES OF MEETING
BOARD OF TRUSTEES AUDIT COMMITTEE
KENTUCKY RETIREMENT SYSTEMS
NOVEMBER 19, 2014, 9:00 A.M., E.T.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601**

At the November 19, 2014 Special Called meeting of the Audit Committee of the Board of Trustees, the following Committee members were present: Mike Cherry; Chair, Daniel Bauer, David Rich, Mary Helen Peter, Randy Overstreet, Randy Stevens, and Scott McKenzie as proxy for Tim Longmeyer. Staff members present were: William Thielen, David Peden, Karen Roggenkamp, Rebecca Stephens, Brian Thomas, Todd Coleman, Connie Davis, Ann Case, Samantha Payne, Erica Bradley, Lisa Perry, and Leigh Taylor. Also in attendance were Joseph Overholtz and Jim Tencza of Dean Dorton Allen Ford; Larry Totten, Jim Carroll, John Cheeves and Rebecca Heckler.

Mr. Cherry called the meeting to order and introduced the agenda item *Approval of Committee Minutes*. Randy Overstreet moved and was seconded by Mr. Rich to approve the minutes of the August 7, 2014 meeting. The motion passed unanimously.

Mr. Cherry introduced the agenda item *External Audit Report for Fiscal Year Ending June 30, 2014*. Mr. Overholtz and Mr. Tencza reported their findings to the Committee. This report was presented for informational purposes only.

Mr. Overholtz and Mr. Tencza exited the meeting.

Mr. Cherry introduced the agenda item *Review of Quarterly Financial Statements as of September 30, 2014*. Mr. Coleman reviewed the unaudited data for the Committee. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of A-133 Disclosure Letter (Federal Awards)*. Mr. Coleman noted that during the specified time KRS had not received or participated in any federal awards. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Employer Penalty/Waiver List*. Ms. Case presented the spreadsheet to the Committee. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Outstanding Invoices*. Ms. Roggenkamp presented the spreadsheet to the Committee. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Management Follow up on Audit Findings and Recommendations Summary Dashboard*. Ms. Roggenkamp briefly summarized the updates implemented as a result of recommendations from the Auditor of Public Accounts report and reviewed the quarterly dashboard report to the Audit Committee. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Disclosure of Assets, Liabilities, and Contingencies as of June 30, 2014*. Ms. Davis noted that KRS does not have any undisclosed assets, liabilities, or contingencies, which corroborates management's financial statement. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Internal Audit Budget - 9/30/2014 and FY 2015*. Ms. Davis updated the Committee on the Audit budget expense items. This report was presented for informational purposes only. Mr. Stevens moved and was seconded by Mr. Rich to approve the Internal Audit Budget for June 30, 2015. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Anonymous Reporting Spreadsheet*. Ms. Davis updated the Committee on the status of the current items. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Employees' Use of Voting Leave – May 30, 2014 Primary Election*. Ms. Davis noted no employee was out of compliance. This report was presented for informational purposes only. Mr. Overstreet moved and was seconded by Mr. McKenzie to eliminate the Use of Voting Leave audit for every election and instead implement it during random elections. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Death Audit utilizing Lexis Nexis*. Ms. Davis reviewed the audit findings for the Committee. Mr. Stevens moved and was seconded by Ms. Peter to accept the findings of the Death Audit. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Health Insurance Billings (Non-Medicare Eligible)*. Ms. Davis updated the Committee on the audit findings. Mr. Stevens moved and was seconded by Mr. McKenzie to accept the findings of the Health Insurance Billings audit. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Travel and Procurement Card Expenditures*. Ms. Davis presented the findings for the Committee. Mr. Rich moved and was seconded by Ms. Peter to accept the findings of the Travel and Procurement Card Expenditures audit. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Investment Compliance Report*. Ms. Davis and Mr. Peden presented the information to the Committee. This report was presented for informational purposes only.

Mr. Cherry called for a short break and the meeting was suspended. *Erica Bradley of KRS entered the meeting during the break.*

Mr. Cherry called the meeting back into session and introduced the agenda item *Nominations for SPRS Board Member Elections*. Ms. Davis updated the Committee on the upcoming SPRS election. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda items *Audit Committee Meeting Dates for Calendar Year 2015, Annual Review of the Charters of the Audit Committee and the Division of Internal Audit, and Status of Current Audits Memoranda*. Ms. Davis provided updates to the Committee. These reports were presented for informational purposes only.

Jeff Luckett and Mark McChesney of KRS entered the meeting.

Mr. Cherry introduced the agenda items *Review of 2014 Infrastructure Audit and Review of 2014 START Application Assessment*. Mr. Overstreet moved and was seconded by Dr. Bauer to enter closed session. Mr. Cherry read the following and the meeting moved into closed session: *A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider public records or information pursuant to KRS 61.878(1)(l) and (m). Closed session is necessary because of public records, the disclosure of which would have a reasonable likelihood of threatening the public safety by exposing a vulnerability in preventing, protecting against, mitigating, or responding to a terrorist act.*

Mr. Totten, Mr. Carroll, Mr. Cheeves, Ms. Heckler, Ms. Payne, Mr. Coleman, and Ms. Case exited the meeting prior to closed session.

Mr. Cherry called the meeting back into open session. Ms. Peter moved and was seconded by Dr. Bauer to accept the findings of the 2014 Infrastructure Audit and Review of 2014 START Application Assessment Audit. The motion passed unanimously.

Mr. Cherry noted the inclusion of professional articles for informational purposes only.

There being no further business, the meeting adjourned at 11:23 a.m. The next meeting of the Audit Committee is scheduled for February 5, 2015.

Copies of all documents presented are incorporated as part of the minutes of the Audit Committee meeting as of November 19, 2014.

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CERTIFICATION

I, Leigh Taylor, do certify that I was present at this meeting and I have recorded above the action of the Committee on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in connection with this meeting.



Recording Secretary

I, as Chair of the Audit Committee of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of the meeting held on November 19, 2014 were approved by the Audit Committee on February 5, 2015.



Committee Chair

I, Brian C. Thomas, have reviewed the Minutes of the Audit Committee Meeting on November 19, 2014, for form, content, and legality.



General Counsel