



NASRA

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**Results of Survey on Audit Committees and Board Education Requirements  
Conducted December 2003**

**23 responses were received, all from NASRA members**

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**1. Does your system have an audit committee?**

Yes: 16

No: 7

**2. For respondents who answered Yes to Question 1: How many members comprise your audit committee?**

1 member: 1

2 members: 1

3 members: 5

4 members: 2

5 members: 3

6 members: 2

7 members: 2

**3. What positions or officers serve on the audit committee?**

- State Treasurer, State Controller and Director of Finance, although they are not necessarily on the committee by virtue of their office
- Three members are trustees from the ERS Board of Trustees. The ERS Administrator and Assistant Administrator serve as staff support to the Committee
- Two County Auditors, one former County Treasurer
- Board Members
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- State Treasurer, Secretary Dept. of Budget and Management, Governor's Appointee, and Retired State Employee (Elected) All are Board Members
- All members of the Board
- Chairman of the Board, Retiree Representative of the Board
- State Auditor, State Attorney General, Board chair, elected retiree
- We have a five member board and one of the members is designated to be the contact for the independent auditors.
- Board members only
- Three board members, one of which is the State Auditor
- Board chair, board vice-chair, board members
- 5 Board members, 2 of which are the state auditor and state treasurer
- Minimum of 5 Board members, including State Auditor, plus 2 external members independent of any relationship with the system.

*Also:*

- We do not have an official audit committee, however, an appointee of each of the board members (Governor, Treasurer, Comptroller General, Senate Finance Committee Chairman and House Ways & Means Chairman) reviews RFPs and selects the audit firm. The director, internal auditor and assistant director-finance then serve as the contacts during the audit and all findings and reports are presented to the Board.
- Our board eliminated the audit committee (and in fact, all committees) in favor of the full board being involved in all aspects of the boards fiduciary responsibilities (*see Carver Governance Principles*). We do have an audit policy within our governance policy that details the role and obligations of the board

**4. How frequently does the audit committee meet?**

- At least 5 times per year
- Minimum of 4 times per year
- Twice a year
- Quarterly
- At least quarterly
- Quarterly
- Monthly
- Quarterly
- Usually twice a year
- Once per year
- At least quarterly
- Scheduled to meet quarterly
- As needed
- Quarterly
- At least four times annually; more often if necessary

**5. What issues does the audit committee routinely address?**

- Internal and external audits risk management issues financial statement
- Review annual audit process and financial statements including meeting with independent auditors to review adequacy of internal controls and significant findings and recommendations; oversee procurement of audit services
- - Compliance matters
  - Comprehensive Annual Financial Report
  - External and Internal Audit Reports
  - Private Sessions with External and Internal Auditors
  - Approval of annual external and internal audit plans
  - Approval of external auditor contract
- Internal Audit Reports Financial Statements Actuarial Statements
- Annual financial-compliance audit and internal audit reports
- Primary: internal audit report Secondary: annual financial statements
- Internal Audit Reports
- Our committee is actually titled Audit & Budget. They deal with the budget proposal adoption; the aspects of the audit performed by the external auditor (mainly have entrance and exit conferences); and actuarial issues.
- - Approve previous meeting minutes
  - Update on Internal Audit Activity including audits and special projects
  - Administrative Issues
  - Provide Publications pertinent to Audit Committees
  - Audit Plan
  - Review Audit Committee and Internal Audit Charters
  - Annual Evaluation of Internal Auditor
- Audit plan for the coming year status and results of internal audit projects
- Annual financial audit
- - Status of audit recommendation
  - annual audit plans

- status of audit plan
  - internal controls
  - security
  - it operations
  - benefits
  - investments
  - contract compliance
  - coordination with external auditors; etc
- Committee was just recently constituted. Its primary function is to review the annual audited financial statements and to oversee the independent audit procurement process
  - internal audit reports and external audit reports
  - internal audit reports
  - internal controls re: financial and accounting reporting systems, provides oversight for the ethical conduct of the Board and staff, and assists the Board in fulfilling its fiduciary responsibilities.

**6. Are your system's board members required to receive continuing professional education for their role as board members?**

Yes: 4

No: 19

**7. What is the source of the board's continuing professional education requirement?**

Statute: 2

Board rule: 2

**8. What specific areas of education, if any, are required?**

- Law does not specify
- Exact nature of education not defined (in developing the board's current policies training is required but the specifics that were in their prior policies were eliminated.)
- 1 hour ethics law 2 hours actuarial education 8 hours investment education
- The annual educational needs assessment that is completed by each Board member affects their educational training. Certain educational training is expected to occur in the Board member's first two years, as written in the Board's education policy.

At a minimum, in the first year of a new Trustee's service on the Board, the Trustee will attend educational sessions sufficient to create a general understanding of the following:

- Role of a Trustee and the role of management
  - Obligations and role of a fiduciary, the business model
  - Governance principles
  - Legal and legislative environment
  - Actuarial principles
  - Pension plan design and other benefit programs, and
  - Investment and allocation strategies.
- Within two years of appointment, a new Trustee will also attend a pension fund and investment management program. After their first two years of service, a Trustee is responsible for self-evaluating their educational needs and obtaining knowledge in specific needs areas in a controlled manner. In every two-year period following the first two years of service, Trustees will participate in at least 20 hours of educational programming.