

**FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**  
**AUDIT COMMITTEE CHARTER**

**INTRODUCTION**

- 1) The Board is responsible for the oversight of the financial controls of the Plan, for the accuracy of financial reporting released by the Plan, and for the general safekeeping of the Plan's assets.
- 2) To assist the Board in the above, the Board has established an Audit Committee to consist of three board members.
- 3) The duties of the Audit Committee and the manner in which it will operate are set out below.

**COMMITTEE OPERATIONS**

- 4) The Audit Committee will operate in accordance with all applicable legislation, City requirements, and Board policy. These include but are not limited to the following:
  - a) The presence of a majority of Audit Committee members shall constitute a quorum.
  - b) All actions of the Audit Committee shall be by an affirmative vote of the majority of the members present at a meeting of the Audit Committee, provided a quorum is present.
  - c) All actions of the Audit Committee shall be approved by the Board to be effective, unless otherwise provided herein.
  - d) The Audit Committee shall meet at least annually.
  - e) The meetings of the Audit Committee shall be open to the public and noticed and held in accordance with the Ralph M. Brown Act (Govt. C. §54950 et seq) and City Sunshine Requirements.
  - f) The Audit Committee shall keep minutes of its meetings.

**COMMITTEE RESPONSIBILITIES**

*Financial Statements*

- 5) The Audit Committee will:
  - a) Review the annual audited financial statements of the Plan, including any notes thereto, and recommend their approval to the Board.
  - b) Meet with the Plan's financial auditors to discuss the audited financial statements and the auditors' report.
  - c) Discuss any Management Letters containing concerns on the part of the financial auditors.
  - d) Review and recommend to the Board for approval, the Management Discussion and Analysis section of the Plan's Comprehensive Annual Financial Report (CAFR) and all other financial information contained in the CAFR.
  - e) Review the appropriateness of accounting policies and financial reporting practices, any significant proposed changes thereto, and any new or pending developments in accounting and reporting standards.
  - f) Review any claims or contingencies that could have a significant effect on the financial condition of the Plan and the manner in which they have been disclosed in the financial statements.

- g) Review and respond to findings or comments of any regulatory agency concerning the financial information of the Plan and Management's response thereto.

#### *Risk Management*

- 6) The Audit Committee will require Management to implement and maintain appropriate internal controls pertaining to the financial statements and operational risk, and will meet regularly with Management to discuss the effectiveness of such controls and procedures.

#### *The Financial Auditor*

- 7) The Audit Committee will:
  - a) Advise the Board with respect to the appointment of the financial auditor and the terms of the engagement; and, when applicable, recommend a financial auditor to the Board for approval.
  - b) Review the scope of the financial audit as necessary.
  - c) At least annually meet with the financial auditors and Management to review the audit process.
  - d) Periodically review the qualifications and independence of the financial auditor.
  - e) Pre-approve all non-audit services, if any, to be provided by the financial auditor.

#### *Code of Conduct*

- 8) The Audit Committee will:
  - a) Monitor the timely filing of Statements of Economic Interests by board members.
  - b) Review any allegation of a breach of the Code of Conduct that may be referred to the Audit Committee.

#### *Other*

- 9) The Audit Committee will:
  - a) Coordinate special investigations or audits of the Plan, as necessary, including any performed by the City Auditor, and ensure the Board is kept informed of all developments regarding such audits in a timely manner.
  - b) Review on an annual basis insurance coverage for the Plan and its covered insureds.
  - c) Serve as the primary liaison, on behalf of the Board, for all matters related to financial audits, examinations, investigations, or inquiries from financial authorities.
  - d) Select, as necessary, accountants or other specialists as necessary, to advise the Audit Committee or assist in the conduct of an investigation.
  - e) Be available to advise the Board and Management as required.
- 10) The Audit Committee will report to the Board on its activities after each of its meetings.
- 11) The Audit Committee will perform any other duties that are assigned to it by the Board.

#### **POLICY REVIEW & HISTORY**

- 12) The Board will review this policy at least every three years.
- 13) **This policy was adopted by the Board on May 17, 2012.**