



**Association of  
Public Pension Fund  
Auditors**

**20th Anniversary 1991-2011**

**Austin, Texas**

**November 6 - 9, 2011**

*Earn 18.5 CPE Credits – See Details Inside*

**InterContinental Stephen F. Austin Hotel  
700 Congress Avenue  
Austin, TX 78701**

**Association of Public Pension Fund Auditors  
Professional Development Conference**

# Conference Agenda

## Sunday, November 6

6:00 pm – 8:30 pm

**Welcome Reception**

## Monday, November 7

7:30 am – 8:30 am

**Breakfast and Registration**

8:30 am – 8:45 am

**Introduction and Logistics**

Richard Bendall, APPFA President, LACERA

8:45 am – 9:35 am

**Welcome and Opening Comments**

Ann Fuelberg, Executive Director, Employees Retirement System of Texas

Brian Guthrie, Executive Director, Teacher Retirement System of Texas

9:35 am – 10:25 am

**Roll Call of the States**

Steve Hayward, APPFA Vice-President, SURS of Illinois

10:25 am – 10:40 am

**Break**

10:40 am – 12:00 pm

**Roll Call of the States (continued)**

12:00 pm – 1:15 pm

**Lunch**

1:15 pm – 2:55 pm

**Enhancing Board Practices through Benchmarking**

Tom Iannucci, Cortex Applied Research

2:55 pm – 3:10 pm

**Break**

3:10 pm – 4:50 pm

**Convergence of Governance, Risk and Compliance**

Larry Jensen, Chief Risk Officer, CalPERS

6:15 pm – 9:00 pm

**20<sup>th</sup> Anniversary Dinner at Lamberts Downtown Barbeque**

## Tuesday, November 8

7:30 am – 8:30 am

**Breakfast**

8:30 am – 10:10 am

**Internal Audit and the Organization's Ethical Climate**

Dr. Urton Anderson, University of Texas at Austin

10:10 am – 10:25 am

**Break**

10:25 am – 12:05 pm

**Navigating Asset Allocations: Danger Ahead!**

Steve Harding, P2E Consulting Group, LLC

12:05 pm – 1:20 pm

**Lunch**

1:20 pm – 2:10 pm

**Current Issues and Trends Impacting Public Pension Plans – Part I**

Keith Brainard, Research Director, National Association of State Retirement Administrators

2:10 pm – 3:00 pm

**Current Issues and Trends Impacting Public Pension Plans – Part II**

Ronnie Jung, Executive Liaison to the Board, Teacher Retirement System of Texas

3:00 pm – 3:15 pm

**Break**

3:15 pm – 4:30 pm

**Panel Discussion on Manager Due Diligence for Both Public and Private Markets**

Panel: Dale West, Ashley Baum and Jase Auby, Teacher Retirement System of Texas; Carlos Chujoy and Robert Sessa, Employees Retirement System of Texas

Moderator: Hugh Ohn, Teacher Retirement System of Texas

4:45 pm

**APPFA Business Meeting**

## Wednesday, November 9

7:30 am – 8:30 am

8:30 am – 10:10 am

### Breakfast

#### Assisting Small Internal Audit Activities in Implementing the International Standards for the Professional Practice of Internal Auditing

APPFA Best Practices Committee

Moderator: Florida Rivera-Alsing, State Board of Administration of Florida

Panel: Ian Allen, Texas Municipal Retirement System

Greg Beck, Missouri State Employees' Retirement System

Connie A. Davis, Kentucky Retirement Systems

Steve Hayward, State Universities Retirement System of Illinois

Harsh Jadhav, Alameda County Employees Retirement Association

10:10 am – 10:25 am

10:25 am – 11:40 am

### Break

#### Employer Audits and Self-Audits

Rosie Tomforde, Arizona State Retirement System

11:40 am

### Conference Ends



## Session Descriptions and Presenters

**Monday, November 7**

### Introduction and Logistics

#### **Richard Bendall, APPFA President**

Richard Bendall is the Chief of Internal Audit for the Los Angeles County Employees' Retirement Association (LACERA). He joined LACERA in 1995 as a Senior Internal Auditor and became active within the Association of Public Pension Fund Auditors (APPFA) shortly thereafter. Before becoming APPFA's current President, he served two terms as Treasurer and one term as Vice President. He is a Certified Public Accountant (CPA) and Certified Information Systems Auditor (CISA).

### Welcome and Opening Comments

#### **Ann S. Fuelberg, Executive Director, Employees Retirement System of Texas**

#### **Brian Guthrie, Executive Director, Teacher Retirement System of Texas**

Ms. Fuelberg and Mr. Guthrie will share their views on the current pension system environment, their system's accomplishments, and the challenges that lie ahead.

#### **Ann S. Fuelberg**

Ann S. Fuelberg serves as Executive Director of the Employees Retirement System of Texas (ERS). ERS administers employee and retiree benefits for more than 500,000 state and higher education employees, retirees and their family members. ERS also manages investment of a \$20.7 billion retirement trust fund. ERS is the 35th largest public pension fund in the United States serving 143,051 state employees, law enforcement officers, elected officials, judges and 79,922 retirees.

During Ann's tenure, ERS has successfully negotiated cost-saving contracts and tapped new technology to deliver quality benefits at a reasonable cost. The investment portfolio has diversified into additional asset classes in order to strengthen the ERS Trust. The Group Benefits Program operated by ERS covers 538,000 individuals with annual health care expenditures of more than \$2 billion. The TexaSaver 457 and 401(k) program offered through ERS has more than \$1.6 billion in assets. TexFlex, the Section 125 Cafeteria Plan operated by ERS, provides more than \$103.5 million estimated tax savings for participants and another \$35 million estimated tax savings for the state.

The Texas Public Employees Association recognized Ann for her leadership and efficient administration by naming her the Administrator of the Year in 2005. Ann is a veteran of state government who has served as a Deputy Comptroller of Public Accounts, and served as the first executive director of the Department of Information Resources. Ann has also

worked in the private sector, both as a consultant and for leading technology companies.

Ann has a business degree from the University of Texas at Austin and a juris doctorate from Texas Tech University School of Law.

#### **Brian Guthrie**

Brian Guthrie serves as the Executive Director of the Teacher Retirement System of Texas (TRS). He held previous positions at TRS as the Executive Director Designate and Deputy Director. Before joining TRS in 2008, Brian worked for the Governor's Office of Budget, Planning and Policy, serving six years as Deputy Director and two years as Director of Special Projects. He also held positions with the Lieutenant Governor's Office and the Legislative Budget Board. Brian holds a Bachelor's Degree in Economics from Franklin and Marshall College in Pennsylvania, and a Master's Degree in Public Affairs from the LBJ School of Public Affairs.

TRS administers retirement and health benefits for more than 1,300,000 employees of public, state-supported, educational institutions of Texas and manages pension trust assets of \$110 billion as of June 30, 2011.

### Roll Call of the States

#### **Steve Hayward, APPFA Vice President**

A representative from each participating organization will speak to the group about current audit areas, ongoing projects, and recent legislation affecting their pension fund. They will discuss how they get results, overcome obstacles, and prepare for issues in their audit shops. Dialogue will be facilitated to present possible solutions for problems and ongoing issues. The session is designed to prompt networking by identifying peers working on similar projects and facing similar challenges.

#### **Steve Hayward**

Steve Hayward is the Director of Internal Audit for the State Universities Retirement System of Illinois (SURS), which is located in Champaign, Illinois. He has been in this position since 1984. In this capacity he is responsible for directing all internal audits and internal control reviews for all areas of SURS.

Prior to joining SURS in 1984, Steve worked in various auditing and accounting positions for McGladrey & Pullen, CPA's and Growmark. Steve has a Masters degree in Accountancy from the University of Illinois in Champaign and a Bachelors of Science degree in Accounting from Illinois State University in Bloomington.

He is the current Vice-President of the Association of Public Pension Fund Auditors (APPFA) and has previously served as Secretary and Board member for APPFA for over 10 years. Steve is one of four original members that helped form the organization in

1991. In addition, he is a Certified Public Accountant and a member of the Institute of Internal Auditors. He also received the ASLAN Award in 2000 in recognition of his role as “guardian of the public trust” for pension funds.

### Enhancing Board Practices through Benchmarking

#### Tom Iannucci, Cortex Applied Research

Attendees will learn the traditional approaches taken by pension plans when assessing their board governance and fiduciary practices, including their strengths and drawbacks. More importantly, it will propose a new approach designed to:

- Provide pension plans with multi-dimensional views of what constitutes "best practices".
- Allow pension plans and their internal auditors to better control the scope of a fiduciary review.
- Ensure that reviews continually evolve with respect to the depth and quality of research.
- Reduce the costs associated with reviewing one's governance and fiduciary practices.

The session will also include sample data and findings gathered in a recent study.

#### Tom Iannucci

Tom Iannucci is President of Cortex Applied Research. Since joining Cortex in 1991, he has devoted his efforts to:

- **Governance and board effectiveness** – researching and analyzing the governance and decision-making practices of public retirement systems and corporations; and helping boards, committees, and management to enhance their governance practices through the clarification of roles and responsibilities and the development of board governance policies;
- **Strategic Planning** – assisting retirement boards and staff in developing strategic plans to chart future direction and focus systems' limited resources; and
- **Board Education** – delivering fiduciary education seminars on board governance and investments.

Tom has advised many public retirement systems and corporate pension plans in both the U.S. and Canada. He is a regular speaker at conferences throughout North America and has co-written various papers on board governance. He serves as a volunteer board member in connection with the Integrative Management Challenge business program at the Rotman School of Management, University of Toronto.

Tom holds a Bachelors of Commerce degree from the University of Toronto and a M.B.A from York University in Toronto.

### Convergence of Governance, Risk and Compliance

#### Larry Jensen, Chief Risk Officer, CalPERS

First ERM, now GRC! What value is created through convergence of governance, risk management, and compliance (GRC)? GRC is more than a technology solution, it's a strategic approach to integrating risk management, controls, assurance structures and processes, and supports business decision making. Additionally, to enhance the value of enterprise risk management, there may be advantages of an integrated framework that unifies the governance, risk, compliance and reassurance functions across the organization. We will discover the advantages and challenges of GRC integration, alignment of the assurance vs. reassurance functions, and the role of internal audit.

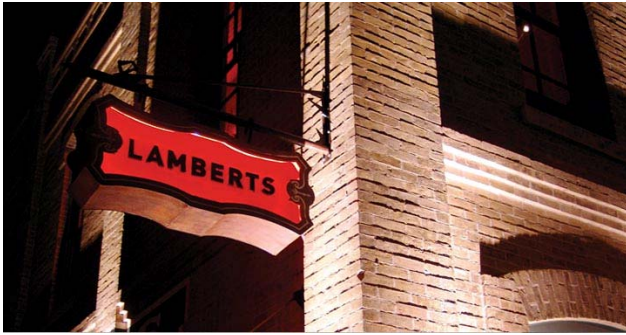
#### Larry Jensen

Larry Jensen began serving as the Chief Risk Officer of the California Public Employees Retirement System (CalPERS) in February 2011. Larry is responsible for the development and implementation of the Office of Enterprise Risk Management and oversight of the Office of Enterprise Compliance, the Enterprise Privacy and Security Office, and the Business Continuity / Disaster Recovery functions.

Previously, Larry served as Assistant Executive Officer for the Administrative Services Branch overseeing the Fiscal Services Division, Human Resources Division, Operation Support Services Division, and the Strategic Management Services Division.

From 2002 to 2009, Larry held the position as Chief Audit Executive. With over 19 years of internal audit experience, Larry managed a talented staff of 46 audit professionals. During his 16-year tenure at CalPERS, Larry has audited investment operations including fixed income, equities, securities lending, real estate, alternative investments, external managers, and soft dollar programs. Additionally, he has audited retirement benefits and member services, as well as health organizations. Prior to CalPERS, Larry was an internal auditor for California State University, Sacramento for five years.

Larry has an undergraduate degree in Accounting from National University. Larry is a Certified Internal Auditor (CIA), a Certified Information Systems Auditor (CISA), and a Certified Government Financial Manager (CGFM). He was on the Board of the Association of Public Pension Fund Auditors and has served as an officer of the organization for four years. Larry is a past president of the Sacramento Chapter of the Institute of Internal Auditors. He has also served as the Chapter's 1<sup>st</sup> Vice-President, 2<sup>nd</sup> Vice-President and Treasurer.



**20<sup>th</sup> Anniversary Dinner at Lamberts Downtown Barbeque**  
**401 West 2<sup>nd</sup> Street**  
**Austin, Texas**

Located in the carefully restored historic Schneider Brothers Building, Lamberts serves up inventive BBQ, modern Texas cooking, and carefully prepared cocktails. Be ready to enjoy a barbeque buffet feast!

**Tuesday, November 8**

**Internal Audit and the Organization's Ethical Climate**

**Dr. Urton Anderson, CIA, CCSA, CGAP, CFSA, CCEP, University of Texas at Austin**

The objective of this session is to provide auditors with the knowledge and tools needed to assess the organizations ethics and compliance program (i.e., how to meet IA Standards 2110.A1). We will first address the internal audit functions role in assisting management in creating and maintaining a healthy ethical climate in the organization. The session will then turn to how do you assess the ethical climate and the effectiveness of the compliance systems? Next the session will look at tools to assist in the assessment and will develop a sample audit work program for conducting an assessment.

Attendees will learn to:

- Appreciate the need for an organization to establish an ethical climate and effective compliance system.
- Understanding of IA's role in assisting the organization to establish and to maintain a healthy ethical climate and effective compliance system.
- Assess the organization's ethics and the effectiveness of the compliance system.
- Use tools helpful in making this assessment.

**Dr. Urton Anderson**

Urton Anderson is Clark W. Thompson, Jr., Professor in Accounting Education at the McCombs School of Business, The University of Texas at Austin and currently the Academic Fellow at the U. S. Securities and Exchange Commission in Washington DC. Urton received his Ph. D from The University of Minnesota in 1985. Urton's research has addressed various

issues in internal and external auditing – particularly corporate governance, compliance, enterprise risk management and internal control. He has written four books and is one of the co-authors of the internal auditing textbook - *Internal Auditing: Assurance and Consulting Services*. Several of these books have been translated into Spanish, Chinese, and Japanese. He is active in the Institute of Internal Auditors and has twice served as Chair of the Internal Auditing Standards Board (2002-2003 and 2007-2010). He currently serves as the vice-chair of the IIA's Committee of Research and Education Advisors and is on the Board of Trustees for the IIA Research Foundation. Urton serves on the board of directors for the Health Care Compliance Association and the advisory board of the Society of Corporate Compliance and Ethics. Urton is also active in the Auditing Section of the American Accounting Association and served as its President for 2009-2010.

**Navigating Asset Allocations: Danger Ahead!**  
**Steve Harding, CPA, CFSA, P2E Consulting Group, LLC**

This session will explore the following asset allocation questions:

What is Changing, Direction or Winds?

- Is the Board prepared to navigate the investment deeps?
- How does the Board determine and express its risk appetite?
- How does the Board assess and monitor risk?
- What role should an auditor play in evaluating these areas?

Evolution and Trends

- Where have asset allocations come from and what course are they on?
- How are asset allocation methodologies changing?

Auditors will learn:

- What is the right course for a pension fund?
- What are the right vehicles?
- Traditional asset classes vs. alternative – what matters?
- How can an auditor help the fund avoid disaster and reach the destination?

**Steve Harding**

Steve Harding has thirty years of experience in financial services, and is nationally recognized as an expert on risk management in public pension funds. Until forming P2E Consulting Group recently, Steve directed the fiduciary audit and operational review practice of Independent Fiduciary Services. He worked for IFS for twelve years and provided consulting services to more than 60 public and private pension funds during that time.

From 1990 to 1999, Steve worked in the Office of the New York State Comptroller where he managed

financial, compliance and operational audits of the \$100+ billion New York State and Local Employees' Retirement System. He last served as Assistant Director of Internal Audit.

In 1990, Steve formed a steering group that founded the Association of Public Pension Fund Auditors, Inc. He served as APPFA's first President from 1991 to 1994. Steve incorporated the Association, obtained its tax exempt 501(c) status, and drafted the first Constitution and By-laws. He served as a director until 1999.

From 1982 to 1985, Steve worked for Coopers & Lybrand. He became a Certified Public Accountant in 1984. He then worked in the securities industry from 1985 to 1988 as Internal Auditor for First Albany Corporation, a publicly held broker-dealer where he earned the Series 7 and 63 licenses. From 1985 to 1990 he was a member of the New York State Society of CPAs Stockbrokerage Committee and served as Chairman his last year. From 1988 to 1990 he worked for a regional CPA firm.

Steve taught for ten years as an adjunct accounting instructor at the graduate School of Business of the University at Albany. He also graduated from UAlbany in 1981 with a B.S. in Accounting, *cum laude*.

Steve is the author of *Auditing External Real Estate Advisors: 101 Best Practices*. He recently authored the textbook chapter "*Pension Funds*" in *Institutional Money Management: Objectives, Constraints, and Strategies* to be published in 2011 by John Wiley & Sons, Inc. (Robert Kolb Finance Series).

Steve served as board member of the Foundation for Fiduciary Studies from 2003 to 2006. He also served as a consultant to the Texas Municipal Retirement System Audit Committee and to CalPERS' Ad Hoc Risk Management Committee enterprise risk management initiative. He is a member of the American Institute of Certified Public Accountants and the Institute of Internal Auditors.



## Current Issues and Trends Impacting Public Pension Plans

**Keith Brainard, Research Director, National Association of State Retirement Administrators**  
**Ronnie Jung, Executive Liaison to the Board, Teacher Retirement System of Texas**

Public pension plans are being scrutinized more than ever. The Governmental Accounting Standards Board is revising pension accounting. Studies question actuarial assumptions. States are debating pension sustainability issues and considering contribution increases, benefit cuts, and structural changes. Regulatory bodies are stepping up oversight and enforcement. Boards are taking steps to assess and improve governance structures. In this session, the participant will learn about the latest issues and trends impacting pension plans from the perspective of a research expert on national pension issues and a successful leader of one of the largest plans in the country.

### Keith Brainard

As research director for the National Association of State Retirement Administrators, Mr. Brainard collects, prepares and distributes to NASRA members news, studies and reports pertinent to public pension design, administration and policy. NASRA members are the directors of 82 statewide public retirement systems in the United States. Combined, these systems hold assets of more than \$2 trillion to fund pension and other benefits for most of the nation's 22 million working and retired employees of state and local government.

Mr. Brainard is co-author of *The Governmental Plans Answer Book*, and he created and maintains the Public Fund Survey, an online compendium of public pension data sponsored jointly by NASRA and the National Council on Teacher Retirement. Keith created the State & Local Pension Exchange, predecessor to the Public Fund Survey and recipient of the *Award for Excellence in Government Finance* from the Government Finance Officers Association. He has discussed public pension issues with federal, state, and local policymakers; public pension trustees; and on broadcast television and radio.

Mr. Brainard previously served as manager of budget & planning for the Arizona State Retirement System and he provided fiscal research and analysis for the Texas and Arizona legislatures. He has a master's degree from the University of Texas-Austin, LBJ School of Public Affairs.

### Ronnie Jung

Ronnie Jung served as the Executive Director of the Teacher Retirement System (TRS) of Texas from September 2003 until August 2011. He currently serves as the Executive Liaison to the TRS Board. Prior to being appointed Executive Director, he served as Deputy Director for two years and as the Chief Financial Officer for the system for five years.

He previously worked for twenty years at the Texas State Auditor's Office and two years at the Texas Legislative Budget Board.

Mr. Jung previously served as a member of the Governmental Accounting Standards Board's task force for higher education financial reporting which led to the development of GASB #35 and was recognized as "2002 Administrator of the Year" by the Texas State Agency Business Administrators' Association. He currently serves as President of the National Council on Teacher Retirement and as a member of the board of the National Institute for Retirement Security.

Mr. Jung earned a B.B.A. in accounting from the University of Texas at Austin in 1974 and a Masters of Public Affairs from the LBJ School of Public Affairs in 1991. He is a Certified Public Accountant with a Personal Financial Specialist Designation and a member of the American Institute of CPAs and the Texas Society of CPAs.



### **Panel Discussion on Manager Due Diligence for Both Public and Private Markets**

**Panel: Dale West, CFA, Director of External Public Markets, Teacher Retirement System of Texas**

**Ashley Baum, CFA, CPA, Chief of Staff, Investment Management Division, Teacher Retirement System of Texas**

**Jase R. Auby, CFA, Chief Risk Officer, Portfolio Strategy and Execution, Teacher Retirement System of Texas**

**Carlos Chujoy, CFA, Portfolio Manager, Strategic Research, Employees Retirement System of Texas**

**Robert Sessa, CFA, Director of Real Estate, Employees Retirement System of Texas**  
**Moderator: Hugh Ohn, Director of Investment Audit & Compliance, Internal Audit, Teacher Retirement System of Texas**

In the past few years, the news media reported several instances of large hedge fund collapses, devastating effects of rogue trading on the entire

institution, and other types of problems at asset managers. Industry experts say that due diligence (including continuous monitoring) is the best tool to prevent or mitigate these types of risks. In other words, due diligence helps investors to understand the managers and their investment strategies so they can make an informed investment decision by laying out the facts and becoming aware of the risks involved.

The panel will introduce attendees to due diligence processes involved in hiring and monitoring external managers or general partners, including key elements of due diligence, helpful tools/checklists used, and effective use of consultants as part of due diligence. The panel will also discuss uses of risk alarms as monitoring tools as well as different elements involved in due diligence on private market managers and public market managers.

### **Dale West**

Dale West is the Director of External Public Markets at the Teacher Retirement System of Texas, a \$110 billion pension system serving 1.3 million active and retired educators and their families. Dale's team oversees the Trust's \$28 billion portfolio of externally managed public market assets, including \$22 billion in traditional long-oriented equities and \$4 billion in hedge funds. Prior to joining TRS, Dale was based in London with the emerging markets equity team of T. Rowe Price International, where he covered telecoms and emerging markets. He also served in the U.S. Foreign Service, including a three-year posting to the American embassy in Bucharest, Romania. Dale received an MBA from Stanford University, and is a graduate of the University of Texas at Austin.

### **Ashley Baum**

Ashley joined the Teacher Retirement System of Texas in 2007. She currently serves as Chief of Staff to the Chief Investment Officer and spent the prior three years in the External Private Markets group (EPM). The EPM group is responsible for due diligence, selection, and monitoring the Trust's private equity and real asset investments. Ashley's experience prior to TRS includes Transaction Services with PricewaterhouseCoopers and a Postgraduate Assistantship at the Financial Accounting Standards Board (FASB). Ashley received a B.B.A. in Business Honors and Accounting and an M.P.A. in Audit from the University of Texas.

### **Jase R. Auby**

Jase joined the Teacher Retirement System of Texas in 2009. He serves as Chief Risk Officer for the investment portfolio and is a Director of the Portfolio Strategy and Execution group (PSE). The PSE group is responsible for risk management, tactical asset allocation, strategic asset allocation and passive portfolios investment management. Jase's investment experience prior to TRS includes Enfield

Capital (an equity research start-up), Barclays Capital (collateralized debt obligation structuring) and Goldman Sachs (serving insurance companies and banks within the Fixed Income Division). Jase received a B.S. from Harvard College.

### **Carlos Chujoy**

Carlos is a portfolio manager in the Strategic Research department and is responsible for the external advisor program at Employees Retirement System of Texas. He is also involved in an internally managed emerging markets portfolio.

Prior to joining ERS, Carlos worked at the Teacher Retirement System of Texas where he held numerous positions in the investments division. His investment experience includes management of a \$45 Billion domestic equity portfolio benchmarked against the S&P500 index, the implementation of a passively managed domestic equity portfolio benchmarked against the S&P1500 index and the implementation and management of a covered call portfolio. Carlos was also instrumental in the design, structuring and implementation of TRS' external public markets portfolio.

Carlos holds a Bachelor's degree in Economics from the University of Lima and a master's degree in investment management from the University of Dallas. He is a Chartered Financial Analyst and a member of the Austin Society of Financial Analysts.

### **Robert Sessa**

Robert W. Sessa is the Director of Real Estate for the Employees Retirement System of Texas, a \$23 billion public pension plan serving over 300,000 state employees. Overseeing both public and private real estate investments, he is implementing the Pension Funds initiative of building out the real estate program to achieve an 8% target of the System's assets. Past responsibilities included covering casinos, gaming, basic materials and industrial stocks as well as significant involvement in corporate governance.

Prior to joining ERS, Mr. Sessa spent a year on the El Paso/Cd. Juarez border doing volunteer work with the homeless. He spent his previous five years at Coopers & Lybrand (now PriceWaterhouseCoopers) in New York in the personal financial services and business assurance groups.

Mr. Sessa received an MBA at the University of Texas at Austin and a B.S. in business administration from Fordham University where he earned a swimming scholarship. He is a CFA charter holder.

### **Hugh Ohn**

Hugh joined the Teacher Retirement System of Texas (TRS) in July 2007. He serves as Director of Investment Audit & Compliance in Internal Audit. He is responsible for both managing audits of investment

programs and operations, and monitoring Investment Management Division's compliance with investment-related policies. Prior to joining TRS, Hugh was a managing senior auditor for the State Auditor's Office, managing financial and performance audits of the pension and investing agencies of the State of Texas. Hugh received an MBA from the University of Texas at San Antonio. He is a licensed CPA, CIA, FRM, and a CFA Charterholder.



**Wednesday, November 9**

### **Assisting Small Internal Audit Activities in Implementing the International Standards for the Professional Practice of Internal Auditing**

**APPFA Best Practices Committee**

**Moderator: Florida Rivera-Alsing, State Board of Administration of Florida**

**Panel: Ian Allen, Texas Municipal Retirement System**

**Greg Beck, Missouri State Employees' Retirement System**

**Connie A. Davis, Kentucky Retirement Systems**

**Steve Hayward, State Universities Retirement System of Illinois**

**Harsh Jadhav, Alameda County Employees Retirement Association**

The International Professional Practices Framework (IPPF) and underlying *International Standards for the Professional Practice of Internal Auditing (Standards)* provide the internal audit leadership a framework and guidance to evaluate and ensure the effectiveness of the internal audit activity. However, implementing the Standards in small audit activities (informally known as "small audit shops") is a challenge. The Institute of Internal Auditors acknowledges the challenges faced by small audit shops and recently issued IPPF Practice Guide, *Assisting Small Internal Audit Activities in Implementing the International Standards for the Professional Practice of Internal Auditing*.

Participants will learn whether it is really possible to comply with the *Standards* when you belong to a one-person or two-person audit shop and if the Practice Guide will really help. Information will be

presented by the members of the panel put together by APPFA's Best Practices Committee. The members of the panel are facing similar challenges because they lead small audit shops, but they are able to meet these challenges. They are not just talking the talk; they are also walking the walk. We hope you will find their suggestions invaluable. We also invite the seminar participants to ask questions during and after the presentation.

### **Flerida Rivera-Alsing**

Flerida Rivera-Alsing is the Chief Audit Executive for the State Board of Administration of Florida (SBA), which manages over \$156 billion in assets. Flerida bears primary responsibility for overseeing all aspects of the internal audit function, all external auditors, financial statement audit and tax compliance of 55 wholly-owned entities/ joint ventures, three funds, and four special purpose entities.

Prior to joining the SBA, Flerida worked for HSBC where she held a number of positions such as Vice President – Treasury Services, Assistant Vice President – Treasury Services, Assistant Vice President - Credit Operations, and Manager – Securities Control and Custody. Flerida also has over nine years of public accounting experience working for Ernst & Young and Arthur Andersen.

Flerida received her MBA degree from the University of Florida. She currently holds six certifications – Certified Public Accountant, Certified Internal Auditor, Certified Investments and Derivatives Auditor, Licensed International Financial Analyst, Certified Fraud Examiner, and Certified Information Systems Auditor. Flerida also received The Institute of Internal Auditors' Internal Assessor/Validator Qualification Certificate.

Flerida currently serves as the Co-chair of the Best Practices Committee of the Association of Public Pension Fund Auditors.

### **Ian Allen**

Ian Allan is currently the Director of Internal Audit for the Texas Municipal Retirement System in Austin, Texas, a position he has held since December 2007. As head of a one-person internal audit shop, Ian is keenly aware of the unique challenges facing others in similar circumstances when it comes to meeting the requirements of various standard-setting bodies, and in getting audit work done.

Ian's prior experiences include ten years as an auditor with Nevada's Legislative Counsel Bureau, six years as a consultant and researcher with GFOA's Government Finance Research Center, and four years with the Chicago city budget office.

Ian is the author of the GFOA publication Revenue Collection Administration: *A Guide for Smaller*

*Governments, and editor and co-author of the GFOA publication Cash Management for Small Governments.*

Ian holds a Master of Public Administration degree from the Maxwell School of Citizenship and Public Affairs at Syracuse University, and a Bachelor of Public Affairs degree from Wayne State University. He holds the certified internal auditor and certified government auditing professional designations from the IIA.

### **Greg Beck**

Greg Beck is the Chief Auditor at the Missouri State Employees' Retirement System (MOSERS), which is located in Jefferson City, Missouri. He has been in this position since February 1, 2001. In this capacity he is responsible for the performance of all internal audits and special reviews at MOSERS. He reports all activities to the executive director and the board of trustees at MOSERS.

Prior to joining MOSERS, Greg was the Manager of Financial Management and Policy for the Missouri Department of Health and Senior Services. Prior to this appointment, Greg was a Program Evaluator for Missouri General Assembly for two years. Prior to this appointment, Greg worked nine years at the Missouri State Auditor's Office where his last position there was Senior Auditor.

Greg has an undergraduate degree in business administration from the University of Central Missouri. He is a Certified Internal Auditor, a Certified Public Accountant, a Certified Information Systems Auditor, a Certified Investments and Derivatives Auditor, a Certified Fraud Examiner, and a Certified Government Financial Manager.

Greg is a member of the Institute of Internal Auditors, the American Institute of Certified Public Accountants, the Missouri Society of CPAs, the Association of Public Pension Fund Auditors, the Association of Certified Fraud Examiners, and the Information Systems Audit and Control Association. He is currently a board member for the Association of Public Pension Fund Auditors. He is a past president, vice-president, and treasurer of the Central Missouri chapter of the Institute for Internal Auditors (IIA). He is also the president of an investment club in Jefferson City, Missouri.

In addition to receiving, and passing, a peer review in 2002 and again in 2007, Greg has been involved in four peer reviews of fellow APPFA members.



### **Connie A. Davis**

Connie Davis is the Internal Audit Director for Kentucky Retirement Systems, a \$14 billion fund, which is located in Frankfort, Kentucky. She has been in this position since August of 2008. She is responsible for the Internal Audit function. The division consists of the Internal Audit Director, an Internal Auditor II, and the Investment Compliance Officer. Connie reports functionally to the Audit Committee and administratively to the Executive Director.

Connie earned a BS in Business Administration, majoring in accounting from the University of Louisville. Connie worked for the Louisville and Jefferson County Metropolitan Sewer District as a Budget/Audit Co-op, Staff Auditor, and Internal Auditor. She performed a self assessment Quality Assessment Review with an external validation, while in this position as a one person audit shop.

Connie is a Certified Internal Auditor. She is a member of the Institute of Internal Auditors, Louisville Chapter, and a member of the Association of Public Pension Fund Auditors. She served as Vice President, President, and currently is a Governor of the Louisville Chapter of the Institute of Internal Auditors. Connie received The Institute of Internal Auditors' Internal Assessor/Validator Qualification Certificate for government auditors.

### **Steve Hayward**

Steve Hayward is the Director of Internal Audit for the State Universities Retirement System of Illinois (SURS), which is located in Champaign, Illinois. He has been in this position since 1984. In this capacity he is responsible for directing all internal audits and internal control reviews for all areas of SURS.

Prior to joining SURS in 1984, Steve worked in various auditing and accounting positions for McGladrey & Pullen, CPA's and Growmark.

Steve has a Masters degree in Accountancy from the University of Illinois in Champaign. He also has a Bachelor of Science degree in Accounting from Illinois State University in Normal. In addition, he is a Certified Public Accountant. He also received the ASLAN Award in 2000 in recognition of his role as "guardian of the public trust" for pension funds.

Steve is a member of the Institute of Internal Auditors and is the current Vice-President of the Association of Public Pension Fund Auditors (APPFA). He served as Secretary and Board member for APPFA for over 10 years, and was one of four original members that helped form the organization in 1991.

### **Harsh Jadhav**

Harsh Jadhav is the Internal Audit Executive in charge of the Internal Audit Department for the Alameda County Employees Retirement Association,

which manages over \$5.2 billion in assets. The Internal Audit Department is tasked with bringing a systematic, disciplined approach to evaluate and improve the effectiveness of key financial and operational controls.

Prior to joining ACERA, Harsh worked in various finance and management capacities, including positions with Mirabelle Investments, Deloitte & Touche, Intel, and American Express. He currently teaches as an accounting and finance professor with the University of Phoenix and DeVry University.

Harsh is licensed as a CPA, CISA, CITP, CRISC and CIDA. He holds a Bachelor of Science in Accounting from San Diego State University, and a Master of Business Administration from California State University, Hayward.

Harsh's professional affiliations include the American Institute of Certified Public Accountants, Information Systems Audit and Control Association, Government Finance Officer Association, Association of Public Pension Fund Auditors and the Association of Government Accountants.

### **Employer Audits and Self-Audits**

#### **Rosie Tomforde, Arizona State Retirement System (ASRS)**

Employer audits bring many benefits to a public pension fund. While these audits were started to ensure compliance, it was discovered that they provide opportunities to get to know employers better; train audit clients; identify trends, misconceptions and loopholes; and identify ineligible participants. But best of all, they generate a positive cash flow by bringing in far more than the auditors' annual salaries. This session will discuss the objectives and detailed procedures of the employer audit program that has been in place at ASRS for over a decade.

#### **Rosie Tomforde**

Rosie Tomforde has worked as an employer auditor at the Arizona State Retirement System for almost 7 years.

She completed her B.B.A. at Grand Canyon University in Phoenix, Arizona. After three years in public accounting, Rosie started working for the State of Arizona, first working at the Government Accounting Office (GAO). Rosie is a licensed Certified Public Accountant and a Certified Fraud Examiner, and has been auditing for more than ten years.



**The Power of Association**

### **About Your Sponsor**

The Association of Public Pension Funds Auditors (APPFA) Professional Development Conference is a group-live conference designed to further enhance participants' auditing skills and provide a forum for the exchange of ideas and concepts. Attendees should have a basic knowledge of accounting and auditing procedures, practices, and theory. There is no experience requirement and no advance preparation is needed. Participants attending this seminar will receive an attendance certificate following the completion of this program. Auditing and accounting professionals may qualify for a total of 18.5 hours of Continuing Professional Education (CPE) credits by attending this conference, which is designed to comply with the American Institute of Certified Public Accountants' Statement on CPE Standards.



APPFA is registered with the National Association of State Boards of Accountancy (NASBA), as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors, 150 Fourth Avenue North, Suite 700, Nashville, TN 37219-2417, Web site [www.nasba.org](http://www.nasba.org)

## Registration, Hotel, Airport Transportation and Event Information

### Registration Information

The conference registration form and fee of \$200.00 should be received by **Monday, October 17, 2011** to reserve your place at the conference. See registration form, which is located on the APPFA website, for details. The registration fee includes all materials, lunches, breaks and the group dinner on Monday evening.

Business casual attire is appropriate. Please be aware that the temperature in the meeting room may be cool so a jacket or sweater is recommended.

### Refund Policy

Refunds are available if a written cancellation notice is received 10 days before the conference. Refunds will not be issued after that date. For more information regarding administrative policies, please visit our website at [www.appfa.org](http://www.appfa.org).

### Complaint Policy

Complaints regarding conference or other matters must be written and should be sent to APPFA, PO Box 16064, Columbus, OH 43216-6064. Complaints will be forwarded to the President who will decide how to address the complaint. The complaint must contain the name, address, phone number and e-mail address of the person submitting the complaint. All complaints submitted will receive a written response.

### Hotel Information

The conference will be held at the InterContinental Stephen F. Austin Hotel. The hotel is located in the heart of downtown Austin at 700 Congress Avenue, Austin, Texas 78701.  
<http://austin.intercontinental.com/>

Hotel room rates are \$125.00 for single occupancy and \$145.00 for double occupancy. Room rates do not include applicable state and local taxes which are 15%.



Please make your room reservations by **5:00 pm CST on Monday, October 17, 2011** by clicking on the following link:

[https://resweb.passkey.com/Resweb.do?mode=welcome\\_ei\\_new&eventID=3140041](https://resweb.passkey.com/Resweb.do?mode=welcome_ei_new&eventID=3140041).

You may also call the hotel directly at (512) 457-8800 and let them know you are with APPFA.

Valet parking is available at a rate of \$26.00 overnight parking for regular sized sedan vehicles and \$28.00 for oversized vehicles. Daytime parking for any size vehicle is \$14.00.

### Airport Transportation

Austin Bergstrom International Airport is 9 miles from the InterContinental hotel; approximate travel time is 15-20 minutes. There are various modes of transportation available to and from the airport. Taxi Service is also available from the airport to the hotel for approximately \$22 one way. The other common method of transportation is Super Shuttle. Shuttle Service is available for \$13 per person one way or \$24 per person round trip. Additional information is available at <http://www.supershuttle.com/en/AUSAirportShuttleAustin.html>.