

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

AUDIT COMMITTEE CHARTER

INTRODUCTION

- 1) The Board is responsible for the oversight of the financial controls of the System, for the accuracy of financial reporting released by the System, and for the general safekeeping of the System'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 Board shall annually appoint a Chair of the Audit Committee on the recommendation of the Board Chair.
 - b) The Chair of the Audit Committee shall preside over meetings of the Audit Committee.
 - c) The Audit Committee shall annually elect from among its members a Vice-Chair, who shall assume the role of the Committee Chair in the event the Committee Chair is unavailable.
 - d) The presence of a majority of Audit Committee members shall constitute a quorum.
 - e) 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.
 - f) All actions of the Audit Committee must be approved by the Board to be effective, unless otherwise provided herein.
 - g) The Audit Committee shall meet at least semi-annually.
 - h) The meetings of the Audit Committee shall be open to the public and noticed and held in accordance with the Ralph M. Brown Act (Cal. Govt. Code, § 54950 *et seq.*) and City Sunshine Requirements.
 - i) The Audit Committee shall keep minutes of its public meetings.

COMMITTEE RESPONSIBILITIES

Financial Statements

- 5) The Audit Committee will:
 - a) Review the annual audited financial statements of the System, including any notes thereto, and recommend their approval to the Board.
 - b) Meet with the System'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) Require that all other findings arising out of the financial audit are addressed by Management in a timely manner.
 - e) Review and recommend to the Board for approval, the Management Discussion and Analysis section of the System's Comprehensive Annual Financial Report (CAFR) and all other financial information contained in the CAFR.
 - f) 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. It shall be the goal of the Audit Committee to ensure the System meets the highest applicable standards pertaining to accounting practices, that any significant deficiencies are

resolved in a timely manner, and that if any material weaknesses are identified they are resolved in a timely manner.

- g) Review any claims or contingencies that could have a significant effect on the financial condition of the System and the manner in which they have been disclosed in the financial statements.
- h) Review and respond to findings or comments of any regulatory agency concerning the financial information of the System and Management's response thereto.

Risk Management, Internal Audit, and Compliance

- 6) The Audit Committee will require Management to implement and maintain appropriate internal controls pertaining to the financial statements and operational risk, and, subject to open meeting laws, will meet regularly with Management to discuss the effectiveness of such controls and procedures.
- 7) With respect to the internal audit function, the Audit Committee:
 - a) Shall review any risk assessment reports and internal audit plans developed by the Internal Auditor and provide input to the Internal Auditor and CEO.
 - b) Review the results of internal audit reports and Management's responses thereto.
- 8) The Chair of the Audit Committee shall attempt to hold an exit meeting with the Internal Auditor in the event the Internal Auditor ceases to be employed by the System for any reason.
- 9) The Audit Committee shall periodically require Management to review with the Committee the internal systems and processes in place to ensure compliance with applicable law, board policy, and procedures; and shall receive and review reports on the nature and extent of any deficiencies and Management's plan to correct them.

The Head of Internal Audit Division

10) When the Head of Internal Audit Division's position becomes vacant, the Audit Committee of each Board shall appoint one member from each of their respective Audit Committees to serve on an *ad hoc* committee in an advisory role to the ORS CEO and to assist in evaluating the finalist candidates for the position until it is filled, at which point the *ad hoc* committee will dissolve.

11) The Audit Committee will participate in conducting performance evaluations of the Head of Internal Audit Division.

The Financial Auditor

~~10)~~12) 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

~~11)~~13) 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 Board Code of Conduct that may be referred to the Audit Committee.
- c) Recommend a Staff Code of Conduct to the Board for approval, review said Code of Conduct from time to time, and recommend amendments as necessary. The Staff Code of Conduct shall be consistent with the City's Code of Conduct to the extent the City's Code is appropriate to the needs of a public retirement system.
- d) Review confirmations filed by staff confirming their compliance with the Staff Code of Conduct, and discuss any concerns brought to the Committee's attention regarding alleged breaches of the Staff Code of Conduct.

Other

12)14) The Audit Committee will:

- a) Coordinate special investigations or audits of the System, 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 any findings and recommendations that may arise from any audit or special investigation of the System, and advise the Board accordingly.
- c) Review on an annual basis insurance coverage for the System and its covered insureds.
- d) Serve as the primary liaison, on behalf of the Board, for all matters related to financial audits, examinations, investigations, or inquiries from financial authorities.
- e) Select, as necessary, accountants or other specialists as necessary, to advise the Audit Committee or assist in the conduct of an investigation, subject to Board approval and budgetary authorization.
- f) Review the Audit Committee charter from time to time and submit recommendations for change to the Governance Committee.
- g) Be available to advise the Board and Management as required.

13)15) The Audit Committee will report to the Board on its activities after each of its meetings.

14)16) The Audit Committee will perform any other duties that are assigned to it by the Board.

REVIEW & HISTORY

15)17) The Board shall review this charter at least every five years.

16)18) The Board adopted this charter on May 17, 2012. Reviewed and amended December 21, 2017; March 18, 2021; August, 2024.