

# **AUDIT COMMITTEE**

## **AGENDA**

### **Board of Fire and Police Pension Commissioners**

**Corinne Tapia, Vice Chair**

**George Aliano**

**Cielo Castro**

**Ruben Navarro**

**October 1, 2015**

**8:35 a.m. or immediately following the Benefits Committee**

**Los Angeles Times Building**

**202 W. First Street, Suite 500**

**Los Angeles, CA 90012**

Commissioner Tapia will participate telephonically from The Westin Hotel, 335 Powell St, San Francisco, CA 94102, Business Center - Mezzanine Floor

An opportunity for the public to address the Board or Committee about any item on today's agenda for which there has been no previous opportunity for public comment will be provided before or during consideration of the item. Members of the public who wish to speak on any item on today's agenda are requested to complete a speaker card for each item they wish to address, and present the completed card(s) to the commission executive assistant. Speaker cards are available at the commission executive assistant's desk.

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Board or applicable Committee of the Board in advance of their meetings may be viewed at the office of the Los Angeles Fire and Police Pension System (LAFPP), located at 360 East 2<sup>nd</sup> Street, 4<sup>th</sup> Floor, Los Angeles, California 90012, or by clicking on LAFPP's website at [www.lafpp.com](http://www.lafpp.com), or at the scheduled meeting. Non-exempt writings that are distributed to the Board or Committee at a scheduled meeting may be viewed at that meeting. In addition, if you would like a copy of any record related to an item on the agenda, please contact the commission executive assistant, at (213) 978-4555 or by e-mail at [rhonda.ketay@lafpp.com](mailto:rhonda.ketay@lafpp.com).

Sign language interpreters, communication access real-time transcription, assistive listening devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing sign language interpreters, five or more business days notice is strongly recommended. For additional information, please contact the Department of Fire and Police Pensions, (213) 978-4545 voice or (213) 978-4455 TDD.

1. ELECTION OF CHAIR AND POSSIBLE COMMITTEE ACTION
2. [ANNUAL CONFIRMATION OF ORGANIZATIONAL INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY AND POSSIBLE COMMITTEE ACTION](#)
3. GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

# **SPECIAL MEETING**

## **AGENDA**

### **Board of Fire and Police Pension Commissioners**

**October 1, 2015**

**8:35 a.m. or immediately following the Benefits Committee**

**Los Angeles Times Building  
202 W. First Street, Suite 500  
Los Angeles, CA 90012**

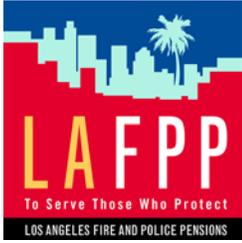
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1. ELECTION OF CHAIR AND POSSIBLE COMMITTEE ACTION
2. ANNUAL CONFIRMATION OF ORGANIZATIONAL INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY AND POSSIBLE COMMITTEE ACTION
3. GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION



# **DEPARTMENT OF FIRE AND POLICE PENSIONS**

360 East Second Street, Suite 400  
Los Angeles, CA 90012  
(213) 978-4545

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## **REPORT TO THE AUDIT COMMITTEE**

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**DATE:** OCTOBER 1, 2015

**ITEM:** 2

**FROM:** RAYMOND P. CIRANNA, GENERAL MANAGER

**SUBJECT:** ANNUAL CONFIRMATION OF ORGANIZATIONAL INDEPENDENCE OF THE  
INTERNAL AUDIT ACTIVITY AND POSSIBLE COMMITTEE ACTION

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### **RECOMMENDATION**

That the Audit Committee review this annual confirmation of organizational independence of the internal audit activity and recommend it to the Board to be reviewed, received, and filed.

### **BACKGROUND**

The *International Standards for the Professional Practice of Internal Auditing (ISPPIA)* requires the “chief audit executive” to confirm to the Board, at least annually, the organizational independence of the internal audit activity (*ISPPIA 1110*).

Additionally, pursuant to the Audit Committee’s Duties and Responsibilities, the Audit Committee assists the Board in overseeing the internal control and audit functions by reviewing the organizational structure and qualifications of the Internal Audit Section.

Both *ISPPIA* and *Government Auditing Standards (GAS)* require auditors to possess knowledge, skills, and competencies needed to perform work pursuant to standards. This includes obtaining relevant continuing professional education (CPE) credits. Specifically, *ISPPIA* requires auditors with professional certifications to obtain sufficient CPE to maintain them; and *GAS* requires auditors to complete a total of 80 hours of CPE in every two-year period, with at least 24 hours directly related to the government environment.

This report represents the third annual confirmation, and the first for which the Audit Committee will formally review the organizational structure and qualifications of the Internal Audit Section.

### **DISCUSSION**

#### Organizational Structure and Independence

LAFPP’s Departmental Audit Manager (DAM) is the “chief audit executive” for the department. Consistent with *ISPPIA 1110*, the DAM reports functionally to the Board and reports administratively to the General Manager, as noted by the two reporting lines on page one of the

LAFPP Organizational Chart (see Attachment). Pursuant to *ISPPIA 1110*, organizational independence is achieved when the DAM reports functionally to the Board.

*ISPPIA 1110* provides seven examples of functional reporting to the Board. The table below indicates these seven examples and the LAFPP Board actions that demonstrate each.

**TABLE – FUNCTIONAL REPORTING EXAMPLES AND BOARD ACTIONS**

<b>Examples of Functional Reporting to the Board – <i>ISPPIA 1110</i></b>	<b>Dates and Board Actions</b>
1. The Board approves the internal audit charter	July 21, 2011: original Board approval August 6, 2015: most recent update and approval
2. The Board approves the risk-based internal audit plan	January 20, 2011: original Board approval February 5, 2015: most recent approval
3. The Board approves the internal audit budget and resource plan	June 18, 2009: original Board approval of budget including Internal Audit staff June 18, 2015: most recent approval
4. The Board receives communications from the DAM on the internal audit activity’s performance relative to its plan	April 19, 2012: original communication February 5, 2015: most recent communication
5. The Board approves decisions regarding the appointment and removal of the DAM	June 18, 2009: original Board approval of budget including DAM authorization June 18, 2015: most recent approval; see also Audit Committee Duties and Responsibilities Section 6.7
6. The Board approves the remuneration of the DAM	June 18, 2009: original Board approval of budget June 18, 2015: most recent approval (The DAM salary is set pursuant to MOU 36)
7. The Board makes appropriate inquiries of management and the DAM to determine whether there are inappropriate scope or resource limitations	Scope/resource limitations are noted in each Annual Audit Plan and Forecast presented in open session to the Audit Committee and to the Board, most recently on February 5, 2015.

## Qualifications of the Internal Audit Function

The following credentials are maintained by current IAS staff: Certified Internal Auditor; Certified Public Accountant; Certified Government Auditing Professional; Certified Fraud Examiner; and, Certified Law Enforcement Auditor. Staff members are responsible to obtain appropriate CPE to maintain individual certifications.

The DAM is responsible to monitor CPE compliance with *ISPPIA* and *GAS*. CPE is tracked on a calendar-year basis. Staff is scheduled and on track to obtain the required CPE to maintain current certifications as required by the *ISPPIA*, as well as to obtain the total of 80 hours of CPE in every two-year period, with at least 24 hours directly related to the government environment as required by *GAS*.

## **BUDGET**

A total of \$11,925 has been budgeted for Fiscal Year 2015-16 for IAS training to obtain CPE as referenced above.

This report was prepared by:

Erin J. Kenney, Departmental Audit Manager  
Internal Audit Section

RPC:EJK

Attachment - *Department of Fire and Police Pensions Fiscal Year 2015-2016 Organizational Chart, page one*

DEPARTMENT OF FIRE AND POLICE PENSIONS  
FISCAL YEAR 2015-2016

**LAFPP – TOTAL POSITIONS**

Authorized	Filled
118	105
*Sub-Authorities	Filled
3	3
*Resolution - Authorities	Filled
2	2
**As Needed	Filled
9	7

**Members**

**POSITIONS**

Authorized	Filled
6	6
*Sub-Authorities	Filled
0	0
**As Needed	Filled
0	0

**City Attorney**

**1 (Managing) Assistant City Attorney**  
 Alan M. Manning  
 1 Sr. Assistant City Attorney  
 Theresa Patzakis  
 1 Deputy City Attorney IV  
 James H. Napier  
 2 Deputy City Attorney III  
 John C. Blair  
 Anya J. Freedman  
 1 Deputy City Attorney II  
 Joshua M. Geller  
 1 Legal Secretary II  
 Julie Cruz

**Board of Fire and Police Pension Commissioners**  
 Robert von Voigt – President  
 Pedram Salimpour – Vice President  
 George V. Aliano  
 Cielo V. Castro  
 Sam Diannitto  
 Adam Nathanson  
 Ruben Navarro  
 Corinne E. Tapia  
 Belinda M. Vega

**Internal Audit**

**1 Departmental Audit Manager #075**  
 Erin Kenney  
**1 Internal Auditor IV #119**  
 James Yeung  
**1 Senior Management Analyst II #104**  
 Caroline Dinu

**General Manager - #041**  
 Raymond P. Ciranna

**1 Executive Administrative Assistant III #009**  
 Martha Zambrano  
**1 Secretary #086**  
 Joni Chavez

**Administrative Operations Division**  
 Executive Officer - #077  
 William S. Raggio

**Investments Division**  
 Chief Investment Officer - #083  
 Thomas Lopez

**Pensions Division**  
 Assistant General Manager - #042  
 Joseph Salazar