

**AUDIT COMMITTEE MEETING MINUTES  
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)  
March 30, 2012**

The Audit Committee of the Board of the Tennessee Consolidated Retirement System met on Friday, March 30, 2012, at 8:00 a.m. The meeting was held in Legislative Plaza, Room 30, with Chairman Michael Barker presiding.

The following members were present: Chairman Michael Barker, Mr. Ken Wilbur, Mr. Tre Hargett, Mr. Erick Huth, and Ms. Rebecca Hunter.

Others present were: Mr. David Lillard, Jr., Treasurer; Ms. Janice Cunningham, Chief of Staff; Mr. Andy Furlong, Director of Internal Audit; Ms. Jill Bachus, Director of TCRS; Ms. Kim Morrow, Director of Accounting; Ms. Suzanne Smotherman, Concord Audit Manager; Ms. Stacey Jackson, Internal Auditor; and Teresa Hensley, State Audit Manager.

**Approval of the November 18, 2011 Minutes of the Audit Committee**

Chairman Barker asked if any changes needed to be made to the minutes. No changes to the minutes were noted. Commissioner Hunter motioned to accept the minutes and Mr. Huth seconded the motion. The minutes of the November 18, 2011 Audit Committee meeting were unanimously approved.

**Introduction of Andy Furlong, Director of Internal Audit**

Chairman Barker introduced Mr. Andy Furlong as the new Internal Audit Director for the Treasury Department and informed the committee of Mr. Furlong's biography in the audit committee packet. He was previously employed with the Department of the Comptroller of Treasury in the state audit division and headed the latest TCRS audit.

**Review Significant Accounting and Reporting Standards**

Ms. Morrow explained an accounting standard newly applicable to TCRS. GASB 51 refers to any in-house built software and because of the Concord project, a capital asset is now reflected on the financial statements for the first time. The amount of \$1,897,000 consists of the salaries and benefits paid to Concord staff and costs paid to the vendor. Once the Concord project is fully active, the cost will be depreciated over the life of the asset, which is estimated to be ten years.

Ms. Morrow further explained the financial statements and fielded questions from the committee.

**Review TCRS Audit Report Issued by Comptroller's Office of year ended June 30, 2011**

Mr. Furlong informed the committee that TCRS received an unqualified opinion with no findings.

**Independent Discussion with State Auditors**

All Treasury employees left the room and the committee held a private discussion with Ms. Hensley regarding the TCRS audit.

### **Concord Update**

Ms. Smotherman gave a detailed overview of the Concord project and Internal Audit's role in the development. Internal audit's position is to monitor internal controls within the system, to ensure security protocols are sufficient, and to development a continuous monitoring program. Ms. Smotherman and Ms. Bachus also answered several questions from the committee.

### **Other Business**

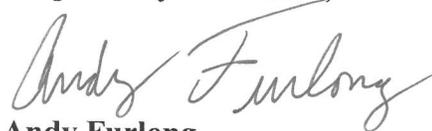
Chairman Barker asked Treasurer Lillard to elaborate on the legislation regarding new retirement program options for local governments. The Treasurer stated the bill is now in the Committee in the Senate and will be progressing in the next couple weeks. Only good feedback has been received from the local governments.

Chairman Barker asked about the proposed GASB statement related to pension fund accounting and Treasurer Lillard informed everyone that the GASB has not come to a final decision. As stated in the last two audit committee meetings, several states and pension fund based organizations have written letters to the GASB stating their opinions on the matter. The Treasurer explained that the proposed statement will require pension funds to report the net pension liability in the financial statements and that scenario would have a negative impact on the appearance of the pension plan's financial condition.

### **Adjournment**

Chairman Barker indicated that if there were no additional items, the meeting could be adjourned. Mr. Huth motioned to adjourn the meeting and Secretary Hargett seconded the motion. Chairman Barker thanked the members of the Audit Committee and adjourned the meeting.

**Respectfully Submitted,**



**Andy Furlong,  
Director of Internal Audit**

**Approved:**



**Michael Barker  
Chairman of the Audit Committee**