

# A G E N D A

## AUDIT COMMITTEE

### REGULAR MEETING

THURSDAY, SEPTEMBER 20, 2018 AT 11:00 AM  
BOARD ROOM – GATEWAY COMPLEX

1. MEETING CALLED TO ORDER: Dwight Walker, Chair
2. ROLL CALL: Dwight Walker, Alan Swanson, Mary Neff, John Kikuchi, Barbara Rothway, Sheldon Solloway, and Chris Yahng  
  
INTRODUCTIONS: Tim O’Keefe, CEO; Rick Chakoff, CFO; Bob Kelso, GRF Board President; Merek Lipson, Resident and Committee Adviser
3. APPROVAL OF MINUTES: August 8, 2018 Regular Meeting
4. RESIDENTS’ FORUM  
  
The Audit Committee will follow Rossmoor custom and limit comments to 3 minutes.
5. Review of 401K and Pension Plan Financial Statements—BPM
6. UNFINISHED BUSINESS
  - Charter Task Force—Alan Swanson, Chair
  - Whistleblower Task Force—John Kikuchi, Chair
  - Status of BPM Audit Proposal for 2018—Rick Chakoff
7. GRF Financial Statement(s) Review—Rick Chakoff
8. NEW BUSINESS
  - Member Transfer Fee Exemption Report
  - Goals for Upcoming Year
9. NEXT MEETING: **Tuesday, October 23, 2018, at 11:00 a.m. in the Board Room at Gateway Complex.**
10. EXECUTIVE SESSION  
  
There will be an executive session of the Audit Committee following this meeting to approve the report from the last executive session.
11. RECESS

cc: GRF Board

## AUDIT COMMITTEE REPORT

REGULAR MEETING  
WEDNESDAY, AUGUST 8, 2018, AT 1:00 P.M.

A regular meeting of the Audit Committee was convened by the Chairman, Dwight Walker, at 1:00 p.m. on Wednesday, August 8, 2018, in the Board Room at Gateway Complex.

Members present were Dwight Walker, Chair; Mary K. Neff, GRF Board Treasurer; John Kikuchi, Barbara Rothway, Sheldon Solloway, Alan W. Swanson, and Christopher T. Yahng (by phone)

Roll Call

Also attending were Tim O’Keefe, CEO; Rick Chakoff, CFO; Merek Lipson, Resident and Committee Adviser (resume attached—his upcoming travel schedule prohibited his full-time committee involvement); Dick Locke, past member of GRF Finance Committee and career in Purchasing at HP; GRF Board members: Robert D. Kelso, Sue DiMaggio Adams and Stephen D. Roath.

1. New members, John Kikuchi and Barbara Rothway, were welcomed and each of the attendees introduced themselves with their qualifications to serve on the Committee and identified the one objective they hoped to achieve from this meeting. At the conclusion of introductions, it was clear that the level of expertise serving on the Committee is very impressive and the enthusiasm to make a contribution to the GRF community is high.
2. ELECTION OF VICE CHAIR—A motion was made by Dwight Walker and seconded by Mary Neff to name Alan Swanson as Vice Chair. Motion was passed unanimously.
3. DISCUSSION ITEM: EFFECTIVE AUDIT COMMITTEES FOR NONPROFIT ORGANIZATIONS—It was noted that Merek Lipson has identified a wealth of resource materials for the Committee, which are now available on a Committee Google Drive for members to explore. Members had been asked to read specific reference documents in advance of the meeting: Grant Thornton Not-for-Profit Audit Committee Guidebook and BDO Effective Audit Committees for Nonprofit Organizations.
  - A discussion about the self-assessment questionnaire on pp. 47-54 of the BDO Guide revealed a number of areas to be explored by the Committee during the planning process. These areas are addressed later in this report.
  - The bottom line is that the exercise in self-assessment will be very useful a year from now to monitor the progress of the Committee in striving for adopting and executing best practices.
4. DISCUSSION OF AUDIT COMMITTEE MISSION STATEMENT—The current Committee charter outlines the purpose of the Committee, but does not state a simple mission statement as suggested by best practices. A discussion ensued regarding the following mission statement:
  - The mission of the Audit Committee is oversight of financial reporting, risk management and the audit function.

- A question arose as to the meaning of “risk management” in this statement. The best practices guidebooks generally refer to this as those risks that may lead to financial misstatements. There was consensus that this issue should be addressed by a Task Force to evaluate the Committee’s charter while also considering its responsibilities and roles.

5. DISCUSSION--AUDIT COMMITTEE RESPONSIBILITIES-The following best practices were discussed.

- Independence
- Evaluating capabilities of external auditors
- Assess and oversee internal controls
- Overseeing risks in financial reporting, compliance, and IT
- Consider risk of fraud in misstatements in financial reporting

A need was expressed for a system to report to the Committee on-going assurances from management and external auditors that internal controls are in place and adequate.

In addition, with the introduction of electronic communications and privacy there was concern expressed over a better definition of IT to include data security, etc. This item as assigned to the Charter Task Force for further discussion and definition.

6. DISCUSSION—AUDIT COMMITTEE ROLES

- Oversee financial reporting, accounting policies and internal controls that promote good financial stewardship.
- Inquiring into how the business risks of the organization are being planned for and managed.
- Oversee the organization’s external audit and compliance functions
- Review of IRS Forms 1120 and 5500 (Pension) and assurance filing requirements of other government agencies’ forms and reports has been met.
- Whistleblower Policy.

A significant topic requiring further clarification is how business risks of the organization are being addressed. This item was also assigned to the Charter Task Force for further discussion and definition.

7. DISCUSSION--EXTERNAL AUDITORS FOR 12/31/18

- Some best practices recommend that outside auditors or the partner in charge be changed every 5 years or so. BPM have been the GRF auditors for the past 6 years.
- Rick Chakoff was asked if there were any reasons to be dissatisfied with the audit services provided by BPM. He stated that there were not and that changing auditors can be healthy but also time-consuming and potentially costly.
- Many Committee members commented the work in front of the Committee to implement best practices and perhaps this is not the right

time to consider taking on what is a huge task of identifying, interviewing and engaging a new auditing firm.

- It was the consensus of the Committee that Rick Chakoff should ask BPM for a proposal for the 2018 audit and preparation of tax returns. In addition, Dwight Walker and Rick Chakoff will obtain some comparative fees from similar organizations as benchmarks to evaluate BPM's proposal.

8. ACTION ITEMS AND TASK FORCES—As a result of the above discussions, the following action items and task forces were identified with an assignment to report back to the Committee at its next meeting.

- Charter Refresh—Alan Swanson, Chair and members: Barbara Rothway, Dick Locke, Merek Lipson and Mary Neff.
- GRF Financial Statements 101—Rick Chakoff will present an educational session at the next meeting, so members can have a better understanding of interim and annual financial statements for GRF.
- Internal Controls—Rick Chakoff will ask BPM to show the Committee their documentation on internal controls as a starting point for members to understand the control environment.
- Code of Conduct Compliance, including fraud alerts and whistleblower policies and how they are enforced. John Kikuchi will chair with members: Alan Swanson, Mary Neff and Merek Lipson.
- External Auditors—Rick Chakoff and Dwight Walker will have next steps in this process to be presented at the next meeting.

9. FUTURE ITEMS FOR CONSIDERATION

- Business risk assessments developed by management and the auditors.
- Analytics and benchmarks outside of financial statements.

10. RESIDENTS' FORUM

- Bob Kelso commented that he was energized by the enthusiasm for reinvigorating the Audit Committee and how it can assist the GRF Board.

11. ADJOURNMENT

There being no further business to come before the Committee, the meeting was recessed at 2:50 p.m. and reconvened in executive session at 2:55 p.m. in the Board Room at Gateway Complex.

12. NEXT MEETING:

The next regular meeting of the Audit Committee will be held on **Thursday, September 20, 2018, at 11:00 a.m. in the Board Room at Gateway Complex.**

Merek E. Lipson  
2671 Saklan Indian Drive, Apt 1  
Walnut Creek, CA 94595  
(925) 278-1861

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GRF BOARD OFFICE

July 4, 2018

Ms. Paulette Jones  
Senior Manager Executive Services  
Golden Rain Foundation  
Rossmoor Walnut Creek  
1001 Golden Rain Rd.  
Walnut Creek, CA 94595

Re: Possible service on the GRF Audit Committee

Dear Ms. Jones:

After speaking with committee members Dwight Walker and Christopher Yahng, I'd like to explore the possibility of joining the GRF Audit Committee. I'm a retired attorney and former chief audit executive (the leader of the internal audit function) for a major California company. I believe my background in internal audit and experience working with a corporate audit committee would allow me to contribute to the GRF governance process

Here is a summary of my experience and education. I worked for the Pacific Gas and Electric Company for over 30 years in a variety of legal and management positions. Among these assignments I was a litigation and regulatory attorney, a legislative analyst, and the head of its safety, health, and claims department. Of particular relevance, I was the company's chief audit executive for over 12 years. In that capacity, I reported to the audit committee of its board of directors and led a staff of 40 auditors. My organization assessed internal controls for functions such as financial systems and disclosures, information technology systems, contracts, risk management policies and procedures, and energy trading. I also supervised investigations of suspected frauds and conflicts of interest.

After retiring from PG&E in 2006, I worked for two years as a director of internal auditing for Kaiser Permanente, America's largest non-profit health maintenance organization.

I am a Certified Internal Auditor, a credential awarded by The Institute of Internal Auditors (the IIA), an international professional association of internal auditors. The IIA is a dynamic global organization with more than 185,000 members worldwide. I've always been a dedicated supporter of the IIA: I'm a former president of the IIA San Francisco Chapter (with over 600 members) and I served on that chapter's Board of Governors for ten years. In addition, I was a member of the IIA's international Publications Advisory Committee (which oversees the IIA's award-winning magazine, *Internal Auditor*) for three years, and I continue to serve on the magazine's Editorial Board, evaluating draft audit-related articles for possible publication.

Based on my experience as a chief audit executive, I created training materials to help internal auditors communicate their results more effectively. I present these ideas in a one-day seminar that I've offered to IIA chapters since 1999. I update these materials each year and have taught them (as an unpaid volunteer) to over 1,000 internal auditors at IIA chapters in California, Kentucky, New Mexico, Nevada, North Carolina, Texas, and Washington DC, as well internationally on behalf of the IIA chapter in Finland.

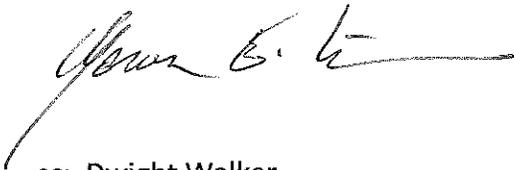
In other governance experience, I was a member of the Board of Trustees of the USO of Northern California for 10 years in the 1980s and 1990s. The USO is a congressionally chartered private organization that provides services to members of the U.S. military and their families.

I've earned a B.A. degree from Columbia University in New York (1967), a J.D. from Hastings College of the Law in San Francisco (1976), and an M.A. in education from Saint Mary's College in Moraga (2012). I've been a member of the California State Bar for over 40 years, although on inactive status since 2008.

I'm also a retired military officer. I served on active duty in the U.S. Navy from 1967 to 1973, including two tours of duty in Vietnam (one on a destroyer in the Gulf of Tonkin and the other in-country as an intelligence officer and aerial observer). Subsequently, I continued in the U.S. Naval Reserve for almost 20 years, including two years as the commanding officer of a reserve unit, and I retired in 1992 with the rank of Navy Captain (O-6).

Please let me know if you want any further information from me.

Sincerely,

A handwritten signature in black ink, appearing to read "Dwight Walker", with a long horizontal flourish extending to the right.

cc: Dwight Walker  
Christopher Yahng