

**AUDIT COMMITTEE MEETING
of the
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
BOARD OF ADMINISTRATION**

MINUTES

August 19, 2009

Committee Members Present:

Barry Poole, Chairperson
Mike Moore, Audit Committee Member
Jeff Peltola, Audit Committee Member

Committee Members Absent:

None

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Monette Carranceja, Assistant Retirement Plan Mgr
Mary Higgins, Assistant Retirement Plan Manager
Erlinda Pabon, Acting Utility Executive Secretary

Others Present

Michael Wilkinson, Deputy City Attorney

The meeting was called to order at 9:35 a.m.

Ms. Bhatia indicated quorum of the Audit Committee was present.

Mr. Poole stated that there were no public comments.

1. Discussion of Audit for Fiscal Year Ending June 30, 2009

Ms. Bhatia stated that the purpose of this meeting was to discuss the audit for the fiscal year ending June 30, 2009, and any issues the Audit Committee may have relative to the current and future audits of the Retirement Plan. She stated the Plan's auditors, Simpson and Simpson, CPAs, (Simpson & Simpson) provided the Board with a list of items for discussion. Ms. Bhatia introduced Ms. Grace Yuen and Mr. Frank Liu from Simpson & Simpson.

Ms. Yuen stated that the purpose of the meeting was to review the audit process and to obtain feedback from the Board and Staff with respect to the audit of the Retirement Plan for Fiscal Year ending June 30, 2009. She informed the Committee that the scope of the audit included the Retirement, Death Benefit, Disability, and the Retiree Health Benefits Funds. Ms. Yuen mentioned the interim phase of the audit began on July 13 and was completed on August 14. She added the year-end phase commenced on August 17 and was expected to end on September 25, and the audit report would be presented to the Audit Committee on October 21.

Ms. Yuen explained the audit process and named the members of the audit team. Ms. Yuen asked the Committee for feedback relative to the audit.

Mr. Moore asked if Ms. Yuen was comfortable with the timeline she stated at the beginning of her presentation. He also inquired if "Valuations of Assets," one of the items on the original discussion list provided to the Committee, remained a concern for the auditors. Ms. Yuen explained Investments was one of the major focus areas of the audit, and "Valuations of Assets"

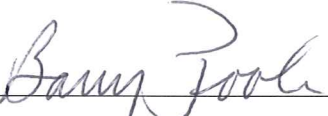
was one section where Committee Members and Staff could provide their concerns. She added that alternative investments was always one of the focus areas in the audit.

Mr. Peltola asked how the values of various alternative investments were obtained. Ms. Yuen stated the process involved gathering information from investment staff and the fund managers on the methodology used in determining the fund value. Mr. Peltola asked if the Department's General Ledger, the "Walker System," was utilized by the Retirement Office. Ms. Bhatia explained the Retirement Office still uses the mainframe system and also maintains Excel spreadsheets.

Mr. Peltola raised his concern regarding fraud risks. Ms. Yuen responded that a number of Staff and Board Members were selected to provide information on different risk mitigation processes and possible sources of fraud. She indicated that based on the information gathered, the auditors can focus their attention on the accounts that may be impacted by fraud.

In response to Mr. Poole's inquiry regarding the Interim Phase report, Ms. Yuen noted that the report will be presented to the Board at the October 21 meeting.

The meeting adjourned at 9:47 a.m.



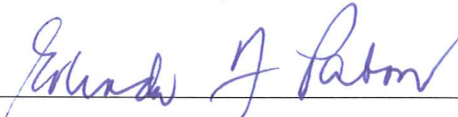
BARRY POOLE

Chairperson



SANGEETA BHATIA

Retirement Plan Manager



ERLINDA PABON

Acting Utility Executive Secretary