

AUDIT COMMITTEE REPORT

REGULAR MEETING THURSDAY, JANUARY 17, 2019, AT 10:00 A.M.

A regular meeting of the Audit Committee was convened by the Chair, Dwight Walker, at 10:00 a.m. on Thursday, January 17, 2019, in the Board Room at Gateway Complex.

Members present were Dwight Walker, Chair; Alan Swanson, Vice Chair; Mary Neff, GRF Board Treasurer; John Kikuchi, and Chris Yahng. Excused absence: Sheldon Solloway and Barbara Rothway.

Roll Call

Also attending were Tim O'Keefe, CEO; Rick Chakoff, CFO; Chris Preminger; Merek Lipson, Resident/Committee Adviser; and GRF Board members: Bob Kelso and Barbara Coenen.

1. Minutes from the November 13, 2018 meeting were approved unanimously on a motion made by Chris Yahng and seconded by Mary Neff.

2. RESIDENTS' FORUM—No comments.

3. ANNOUNCEMENTS—AUDIT COMMITTEE CHARTER—the revised Charter was submitted by Tim O'Keefe to the GRF Board Policy Committee and it was approved at its December meeting. It will be presented to the GRF Board for its approval at its next meeting.

Draft
Charter

4. MANAGEMENT ISSUES FOR EXTERNAL AUDITORS—Rick Chakoff reported that the external auditors have begun their interim work for the 2018 audit. He met with them to advise that GRF no longer employed an in-house legal counsel. Tim O'Keefe reported that he did not have any issues to report to the auditors.

5. WHISTLEBLOWER GRF POLICY—John Kikuchi reported on the current draft incorporating a number of revisions to the proposal submitted at the previous Committee meeting. These revisions resulted from two Task Force meetings with outside legal counsel. Substantial revisions were made to make it clear that the GRF Policy covers nonemployees because employees are covered by management policies and the employee handbook, in accordance with California law.

Draft GRF
Whistleblow
Policy

On a motion made by Mr. Kikuchi, seconded by Ms. Neff, and CARRIED UNANIMOUSLY to approve the latest Policy draft.

Draft GRF
Whistleblow
Policy
Approved

6. EMPLOYEE WHISTELBLOWER POLICY AND HANDBOOK—John Kikuchi reported that the Task Force recommended that the Employee Whistleblower Policy and Handbook be updated for the new reporting "hotline" of Whistleblower@Rossmoor.com. Tim O'Keefe and Judith Perkins agreed that this would be an enhancement to bring reporting mechanisms in line with the GRF Policy.

On a motion made by Mr. Kikuchi, seconded by Ms. Neff and CARRIED UNANIMOUSLY to approve the Task Force's recommendation.

Task Force
Recommen-
ndation
Approved

7. MEMBER TRANSFER FEE TASK FORCE UPDATE—Mary Neff reported that the task force consisting of Chris Preminger, Rick Chakoff, Jo Ann Cooper, Dwight Walker, Bob Kelso, Mary Neff and Steve Roath identified an overarching goal of ensuring that owners are providing the data needed to enforce all GRF and Mutual occupancy policies. Chris Preminger, the Project Manager, will lead the effort to undertake and evaluate potential issues, conduct a pilot with two Mutuals, and publish a report by June 30. The Task Force has identified some potential issues whereby member records are not updated by homeowners that could result in lost membership transfer or lessee facility usage fees. Rick Chakoff will alert the external auditors that a task force comprised of staff and residents has been formed to investigate the validity of membership fee exemptions.
8. PRIORITIZED GOALS—A discussion was held regarding prioritized goals for the Committee. The following items and timing were identified:
- Done--Calendar for standard meeting dates first week of the month
 - Monthly--Review of Whistleblower allegations reports by management
 - February—Begin understanding of risk assessments scope for Audit Committees and develop plan for future actions
 - March--Review compliance with Code of Conduct Policy
 - Q2—Begin quarterly program to understand internal controls and management assessment of effectiveness
 - May--Assess external auditors
 - June—Review and understand Chris Preminger's report on Membership Transfer Fees and attendant system/controls.
9. ADJOURNMENT
There being no further business to come before the Committee, the meeting was recessed at 11:43 a.m.
10. NEXT MEETING:
The next regular meeting of the Audit Committee TBD.



Dwight Walker, Chair
Audit Committee