



Memorandum

TO: DEFERRED COMPENSATION
ADVISORY COMMITTEE

FROM: Jennifer Ye
Finance Department

SUBJECT: SEE BELOW

DATE: March 6, 2017

Approved

Date 3/16/2017

**SUBJECT: MANAGEMENT RESPONSE TO INTERNAL CONTROL FINDING ON
REPORT TO THOSE CHARGED WITH GOVERNANCE FOR FISCAL
YEAR 2015-2016**

MANAGEMENT RESPONSE

Management does not believe that the City should independently verify the fair value of plan investment computed and provided by Voya. US GAAP does not require a recalculation of fair value before presenting them in the financial statements.

The publication authored by the AICPA's Employee Benefit Plan Quality Center states "it is important that plan management become familiar with the plan's investments, methods and significant assumptions used to value them". It further states that plan management valuation process *does not need (emphasis added)* to include the recalculation of estimated fair value for the plan investments, but it should ensure that there is adequate understanding of the characteristics of the investments and the valuation process to determine if those valuations are reasonable. In the fiscal year ended June 30, 2016, prior to commencing the audit, the City obtained and reviewed the Fair Value Measurement report from Voya. This report is prepared by VOYA to support its plan sponsor clients and their plan auditors with respect to the application of Accounting Standard ASC 820 - Fair Value Measurement and Disclosures. Management reviewed this report and considered it to be adequate for the City to understand how plan investments are valued and what fair value hierarchy should be used for financial reporting purposes.

During the FY 2015 -2016 audit, the external auditors recalculated the fair value of plan investments reported by Voya. There was no finding communicated in regards to investment valuation and therefore no audit adjustments were made to the Plan's financial statements.

Deferred Compensation Advisory Committee
March 6, 2017

**Subject: Management Response to Internal Control Finding on Report to Those Charged with Governance
for Fiscal Year 2015-2016**

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The City will work on enhancing its procedures, work with the Plan's Investment Advisor to continue annual review of the Fair Value Measurement report as well as Voya's calculation of fair value.



/s/

JENNIFER YE

Principal Accountant

For questions please contact Jennifer Ye, Principal Accountant at (408) 535-7072.