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Date: July 15, 2016

TO: MEMBERS, AUDIT COMMITTEE

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 3b – Consent Calendar: Ratification of Appointment of New External Auditor
II. NAME AND PROGRAM:	Peter Guastamachio, Chief Financial Officer
III. ACTIVITY:	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
IV. JUSTIFICATION:	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

V. EXECUTIVE SUMMARY:

As a standard practice for periodic review of vendor engagements, State Fund conducted a Request for Proposal (RFP) process for an independent External Auditor and made recommendations about the top finalists to the Audit Committee. The Audit Committee directed staff to negotiate with the firm of Ernst & Young LLP for a three year contract at a cost of \$685,000 (2016); \$706,000 (2017); and \$727,000 (2018) with no travel expenses; and complete the RFP process. The selection of the independent External Auditor is the responsibility of the Audit Committee pursuant to authority delegated by the Board of Directors (“Board”) of the State Compensation Insurance Fund.

VI. ANALYSIS:

The Audit Committee Charter gives the Audit Committee the responsibility to select and retain the independent auditors and set their compensation for preparing and issuing the State Fund audited financial report or related work. The selection and retention of the firm of Ernst & Young LLP as the new independent External Auditor for a three year period is subject to ratification by the Audit Committee.

VII. RECOMMENDATION:

To ratify the engagement of Ernst & Young LLP as the new independent External Auditor for State Compensation Insurance Fund for a period of three years at a cost of \$685,000 (2016); \$706,000 (2017); and \$727,000 (2018) with no travel expenses.

VIII. APPENDIX: None