

DELAWARE STATE EMPLOYEES PENSION FUND  
AUDIT COMMITTEE MEMO—OCTOBER 1, 2004  
DOVER, DELAWARE

On this date Joel Poorman, Harold Smith and Robert Allen attended the Board of Trustee's meeting to [1] discuss the 2004 Financial Audit and Annual Report and [2] recommend initiating the hiring of an audit firm for fiscal year 2005.

1. SUMMARY OF FISCAL YEAR 2004 AUDIT RESULTS

- The Fund received a clean audit opinion.
- Mike Buchheit and Barry Pelagotti from Siegfried Group reviewed the significant items in the audit report with the Board and discussed procedures used in their audit
- Barry Pelagotti reviewed the Management Letter with the Board. There were seven items covered---two on information technology matters and five on the procedures in the Pension Office.
- Pension Office personnel were excused from the meeting and the auditors and the Audit Committee discussed the Pension Office personnel's professionalism, experience and initiative.

2. SELECTION OF AUDITOR FOR 2005

-Prior to the meeting Joel Poorman had discussed with Phillip Reese the Audit Committee's recommendation of selecting a "Big Four Firm". As a result of this discussion it was agreed with Reese that Seigfreid Group should also be requested to submit a proposal. This information was given to the Audit Committee prior to the Board meeting. Also prior to the Board meeting Poorman discussed with Dave Singleton the recommendation of the Audit Committee for the Fund to continue to have its own audit contract. Singleton explained the proposal for a single statewide audit contract was primarily driven to overcome the current problems of consolidating and coordinating the combined accounts of the State with several auditing firms in a timely manner. Poorman and Singleton agreed in the interest of getting the Request for Proposal (RFP) issued the current request would only be for one year.

-At the Board meeting Poorman presented the Audit Committee recommendation for a one-year RFP to be sent to the “Big Four” plus Seigfreid Group. Ron Draper of the State Auditor’s Office advised that Tom Wagner and Singleton need to discuss further the time period. However, it was agreed that the State Auditor’s Office would start preparing the RFP immediately with the goal to issue it by the end of October and receive proposals back by early December, awarding the contract by year-end or early January.

Cc: Audit Committee  
David Craik/Alice Simon  
Phillip Reese