

**MEMO# 10073**

June 26, 1998

## **DRAFT AGENDA FOR JULY 14 MEETING**

[10073] June 26, 1998 TO: INTERNAL AUDIT COMMITTEE No. 5-98 RE: DRAFT AGENDA FOR JULY 14 MEETING

Attached is a draft agenda for the upcoming meeting of the Internal Audit Committee on Tuesday, July 14th at 10:00 am in the Institute's David Silver Conference Room on the 12th floor. Also included is an appendix consisting of speaking points for use in the discussion. Lunch will be served during the meeting. As an added feature, we have invited John Walsh, Chief Counsel of the SEC's Office of Compliance Inspections and Examinations (OCIE), to be our luncheon speaker. Mr. Walsh will speak on Year 2000 issues, internal audit reports, and other matters of interest. If you have not already done so, please call Bill Selepack at (202) 326-5820 to let him know if you will be attending the meeting. In addition, please call me at (202) 326-5923 if there are other matters you would like to discuss at the meeting. I look forward to seeing you on July 14th. Barry E. Simmons Assistant Counsel Attachment

Investment Company Institute INTERNAL AUDIT COMMITTEE MEETING July 14, 1998 10:00 a.m. -- 3:00 p.m. Washington, D.C. DRAFT AGENDA I. Year 2000 Issues A. Regulatory Update B. Project Office 1. Organization and staffing issues 2. Tracking and reporting issues 3. Role of participants in the project 4. Management oversight and expectations 5. Board oversight and expectations C. Existence and Scope of Project Plan D. External Vendors 1. List of vendors/inventory of products and services 2. Due diligence 3. Utilities research and testing 4. SIA street testing participation E. Contingency Planning 1. Nature and scope of plan 2. Risk assessment 3. Planning for pre-2000 problem dates 4. Disaster recovery and backup-site preparation F. Quality Control Issues G. Other Issues 1. Regulatory oversight and review (federal and state) 2. Insurance issues 3. Investment strategies 4. Communications (internal and external) 5. Human resources II. EMU Issues A. Legal Issues B. Status of EMU Plans C. External Factors - Operational Issues 1. Custodian 2. European Central Bank 3. Investment Accounting System D. Impact on Year 2000 plans E. Investment Strategies APPENDIX Internal Audit Committee Meeting Discussion Points I. Year 2000 Issues Six months have elapsed since we first discussed the Year 2000. At this point in time companies should be well into the remediation and testing phases, as well as communications with external business vendors and business contingency planning. The purpose of this discussion is to again exchange ideas and knowledge; discuss and identify issues; and increase awareness and understanding of the complexity of the Year 2000 problem. Project Office How is it organized and staffed? How does it track and report on the project? What is Legal's involvement in the project? What is Internal Audit's role and what is the focus? Are Internal Audit's Year 2000 workpapers treated any differently than regular audit workpapers? What are the Board's expectations of Internal Audit's role in the Year 2000 project? How do you determine when it is time to raise the yellow or red flag? External Vendors How comprehensive is the vendor inventory (vendors, suppliers,

service providers business partners, regulatory agencies, and clients)? What levels of due diligence are being performed? What due diligence is being performed on your custodianGs sub-custodian networks? How are utilities being researched and tested (i.e., telcos, power, water)? Are complexes participating in the SIAGs industry-wide testing? Contingency Planning What processes are being used? Was a risk assessment part of the process? Are contingency plans in place for events prior to 12/31/99? Are there alternative solution dates for programs that can not be fixed or vendors who can not provide compliant hardware/software? Quality Control How are you addressing quality control over remediation, testing, sign off, contingency planning? How are you staffing this function? APPENDIX Other Regulatory Which regulatory agencies (federal, state) have you had to respond to regarding Year 2000? Insurance As insurance policies are being renewed are Year 2000 exclusions being included? Disaster Recovery How are your back-up sites treating Year 2000 from a contractual standpoint? How are your back-up sites preparing for Year 2000? Investment Strategies Are your investment advisors developing Year 2000 strategies? Have you had inquiries regarding your strategy? Communications How are you handling communications with clients, shareholders, and the press? How are you controlling communications? Human Resources How are you handling retention/turnover of key personnel? II. EMU What is the current status of EMU plans? What external factors are driving the process? Have you considered the legal issues related to the Euro? Have you any EMU disclosure in your ADVGs? What has or will be the impact on Year 2000 plans? Have your investment advisors developed an Euro strategy?

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