
Minutes

The Audit and Compliance Committee of the Board of Trustees met on December 12, 2019 at the Virginia Retirement System located in Richmond, Virginia. The following individuals were present.

Audit and Compliance Committee Members:

William H. Leighty, Committee Chair
Diana F. Cantor, Committee and Board Vice-Chair

Other Members of the Board of Trustees:

O'Kelly E. McWilliams, III

VRS Staff:

Patricia Bishop, Jennifer Schreck, Farley Beaton, Judy Bolt, Jeanne Chenault, Michael Cooper, Joshua Fox, Krystal Groff, Matthew Priestas, Denise Rasmussen, Cynthia Wilkinson, Andrea Peeks, Caitlin Pelletier, Kristy Scott, and Curt Mattson

Auditor of Public Accounts: Zach Borgerding, Justin Ferrell, and Brian Deveney

Joint Legislative Audit and Review Commission: Lauren Axselle

Other: Richard Tarr (by phone), Internal Audit Consultant

Mr. Leighty called the meeting to order at approximately 10:00 a.m.

MINUTES

Upon motion of Ms. Cantor, seconded by Mr. McWilliams, the Committee approved the minutes of the Audit and Compliance Committee meeting held on September 12, 2019.

**ANNUAL REPORT ON
INTERNAL AUDIT'S
QUALITY
ASSURANCE
IMPROVEMENT
PROGRAM**

Ms. Schreck presented the results of the annual Internal Quality Assurance and Improvement Program Review as of June 30, 2019, noting the Principal Auditor for Quality Assurance had completed the review and concluded there was reasonable assurance that the Internal Audit Department was performing in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

**EXTERNAL QUALITY
ASSURANCE REVIEW
RESULTS**

Mr. Tarr presented the results of the quinquennial external quality assurance review. He concluded that the internal audit activity at VRS generally conforms with the *International Standards for the Professional Practice of Internal Auditing*, which denotes the Institute of Internal Auditor's highest rating of conformance. He noted opportunities for continuous improvement for the department to consider, with the Committee discussing these in further detail. He commended the Internal Audit Department on the professionalism and competence of its staff.

**ACCEPTANCE OF
EXTERNAL QUALITY
ASSURANCE REVIEW
REPORT**

Upon motion of Ms. Cantor, seconded by Mr. McWilliams, the Committee accepted the External Quality Assurance Review Report.

**EXIT ON THE 2019
COMPREHENSIVE
ANNUAL FINANCIAL
REPORT AUDIT**

Mr. Borgerding informed the Committee that the APA's audit work over VRS' fiscal year 2019 Comprehensive Annual Financial Report was in its final stages. Mr. Borgerding indicated the APA anticipates issuing an unmodified opinion dated December 13, 2019. Also, as a part of the audit, the APA would issue a "Report on Internal Controls and Compliance" which would not include any formal recommendations.

**ENTRANCE WITH
APA REGARDING
EMPLOYER
ASSURANCES**

Mr. Borgerding then provided the Committee with an overview of the APA's upcoming examinations designed to provide participating employers and their auditors the assurances necessary to prepare their own annual financial statements in accordance with:

- *GASB Statement No. 68*, which focuses on employer reporting over pension plans, and
- *GASB Statement No. 75*, which deals with employer reporting over other post-employment benefit plans.

Mr. Borgerding noted the examinations will cover the period July 1, 2018 through June 30, 2019 and that the APA anticipates issuing its opinions on these matters on or about June 30, 2020. He further indicated an engagement memo would be provided to the Committee at a later date.

AUDIT REPORTS

The Committee received one audit report from staff.

Audit Report 427

Mr. Fox presented audit report 427 – Credit Strategies Program. The review determined the Credit Strategies Program's due diligence and monitoring activities were sufficient and appropriate and align with the applicable Investment Policy Statement. Further, the Credit Strategies Program accounting transactions were accurate and properly recorded. There were no written recommendations resulting from the review.

**ACCEPTANCE OF
AUDIT REPORTS**

Upon motion of Ms. Cantor, seconded by Mr. McWilliams, the Committee accepted audit report 427 as presented.

**MODERNIZATION
QUARTERLY REPORT
- MANAGEMENT**

Mr. Beaton presented Management's report on the Modernization Program - Phase 4. Mr. Beaton updated the Committee on the decommissioning of RIMS and the phase progress concerning online retirements. Mr. Beaton observed quality monitoring and operational support activities continue and online retirements should be finalized by the end of the fiscal year. Lastly, budget and cost updates as of September 30, 2019 were provided.

**MODERNIZATION
QUARTERLY REPORT
– INTERNAL AUDIT**

Mr. Priestas presented Internal Audit's Quarterly Review of Modernization - Phase 4 indicating agreement with management's representations regarding the overall schedule, budget and scope of Phase 4. Mr. Priestas acknowledged management's efforts on the remaining Phase 4 functionality.

**QUARTERLY REPORT
ON FRAUD, WASTE
AND ABUSE HOTLINE
CASES**

Ms. Bolt presented the Fraud, Waste and Abuse cases investigated by Internal Audit for the period August 1, 2019 through October 31, 2019. Ms. Bolt noted there was one case reported through the Office of the State Inspector General during the period alleging abuse of long-term disability. The allegation could not be substantiated; therefore, the case was closed.

**MANAGEMENT'S
QUARTERLY TRAVEL
EXPENSE AND PER
DIEM REPORT**

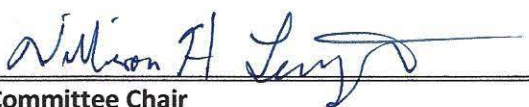
Mr. Leighty noted management's quarterly travel expense and per diem report was provided for the Committee's review.

**MISCELLANEOUS
UPDATES**


Finally, Ms. Schreck indicated the next meeting of the Committee is scheduled for March 19, 2020 at 2:00 p.m.

**MEETING
ADJOURNMENT**

There being no further business, upon motion of Ms. Cantor, seconded by Mr. McWilliams, Mr. Leighty adjourned the meeting at approximately 11:20 a.m.



Committee Chair



Secretary