

---

## Minutes

The Audit and Compliance Committee of the Board of Trustees met on March 20, 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, Rory Badura, Farley Beaton, Judy Bolt, Jeanne Chenault, Michael Cooper, Sara Denson, Barry Faison, Joshua Fox, Krystal Groff, Robert Irving, Taylor Melton, Laurie Nelson, Andrea Peeks, Matthew Priestas, Kathryn Quiriconi, Denise Rasmussen, Kristy Scott, and Cynthia Wilkinson

***Auditor of Public Accounts:*** Brian Deveney

***Joint Legislative Audit and Review Commission:*** Lauren Axselle

***Virginia Governmental Employees Association:***

Marshall Terry and Rick Fowler

Mr. Leighty called the meeting to order at approximately 2:03 p.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 December 13, 2018.

***AUDIT REPORTS***

The Committee received two audit reports from staff.

***Audit Report 420***

Mr. Priestas presented audit report 420 – Conformance with VITA's Security Program. The review determined that VRS' Security Policies and Standards are compliant with VITA's IT Security Program. There were no written recommendations resulting from the review.

***Audit Report 421***

Ms. Bolt presented audit report 421 – Purchase of Prior Service, noting the audit's main purposes were to determine if purchases of service generally are performed within VNAV in accordance with the *Code of Virginia* and are valid and complete; that purchases that cannot be processed independently through the system and require an override are properly supported and approved; that reconciliations for lump-sum payments are performed timely

and accurately; and that system access is granted using the principle of least privilege. There was one written recommendation resulting from this review.

The Committee had a robust discussion related to the audit and its results. The recommendation will be tracked in the Audit Recommendation Follow-Up System (ARFUS).

**ACCEPTANCE OF  
AUDIT REPORTS**

Upon motion of Ms. Cantor, seconded by Mr. McWilliams, the Committee accepted audit reports 420 and 421 as presented.

**MODERNIZATION  
QUARTERLY REPORT  
- MANAGEMENT**

Mr. Beaton presented Management's report on the Modernization Program - Phase 4 through March 5, 2019. Mr. Beaton updated the Committee on the remaining Phase 4 releases, noting go-live for the retirements and disbursements functionality is scheduled for April 25, 2019 and the ability to submit online retirement applications is scheduled for Fall 2019. Mr. Beaton confirmed management continues to intensively monitor the phase's progress and has put risk mitigation initiatives in place. Mr. Beaton discussed the continued Mock Production progress and emphasized priorities that must be completed prior to, during, and after go-live. Additionally, he briefly discussed plans for additional items that would be addressed in releases subsequent to the go-live.

**MODERNIZATION  
QUARTERLY REPORT  
- INTERNAL AUDIT**

Mr. Priestas presented Internal Audit's Quarterly Review of Modernization - Phase 4 as of March 5, 2019. Mr. Priestas indicated agreement with management's representations regarding the overall schedule, budget and scope of Phase 4. Mr. Priestas acknowledged management's efforts and continued work as the go-live date nears.

**AUDIT PLAN  
PROGRESS AS OF  
DECEMBER 31, 2018**

Ms. Schreck reported on the progress of the annual Audit Plan as of December 31, 2018, the mid-point of the fiscal year. She noted there were some necessary changes to the planned timing of certain examinations. The Committee discussed the Internal Audit department's remaining planned projects and resources.

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

Ms. Bolt presented a list of Fraud, Waste and Abuse cases investigated by Internal Audit for the period of November 1, 2018 through January 31, 2019. Ms. Bolt noted there was one case reported through OSIG during the period that alleged abuse of short-term disability. The case could not be substantiated; therefore, it was closed.

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

Mr. Fox shared with the Committee management's quarterly travel expense and per diem report for their review. He reported all out-of-state Board and Committee travel are within the currently approved limits.


**MISCELLANEOUS  
UPDATES**

Ms. Schreck informed the Committee that Internal Audit has reviewed the amounts referred to as "Cost of Living Adjustments (COLA)" as calculated by VRS' actuary, Cavanaugh Macdonald Consulting, LLC, to be effective July 1, 2019. Ms. Schreck noted Internal Audit independently recalculated the "Cost of Living Adjustments" and found them to be valid and accurate. The results of this review were provided to the Benefits and Actuarial Committee and Board of Trustees in February 2019 to support the review and approval process for these adjustments.

Ms. Schreck indicated the next meeting of the Committee is scheduled for June 12, 2019 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 3:17 p.m.

  
\_\_\_\_\_  
Committee Chair  
\_\_\_\_\_  
Secretary