



Audit and Compliance Committee Meeting

[1111 E. Main Street](#)
[Third Floor Board Room](#)

Wednesday, 9/20/2023

10:00 AM - 12:00 PM ET

I. Minutes of the June 13th Meeting

Meeting Minutes - Page 3

II. Matters for Discussion with the Auditor of Public Accounts

Matters for Discussion with the APA - September 2023 - Page 8

APA's 2022 VRS EA Board Exit - Page 9

A. Exit on the 2022 Employer Assurances Review

B. Update on the 2023 Annual Comprehensive Financial Report

III. Internal Audit Assurance Reviews

A. Review of VRS' Agency Performance Outcomes and Operational Measures

FY 2023 APO and OM Memorandum - Page 27

B. Review of VRS' Investment Incentive Compensation

FY 2023 Incentive Compensation Memorandum - Page 28

IV. Annual Progress Reports for FY 2023

A. Annual Report on Internal Audit

FY 2023 Annual Report - Page 30

B. Annual Report on the Audit Recommendation Follow-up System

FY 2023 Annual ARFUS Report - Page 42

C. Annual Reports on FY 2023 Audit Plan and FY 2021-2024 Long-Range Plan Status

FY 2023 Annual Plan Progress as of June 30, 2023 - Page 46

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V. Proposed FY 2024 Annual Audit Plan

Proposed FY 2024 Audit Plan - Page 56

A. RBA: Approve FY 2024 Audit Plan

RBA: Approve FY 2024 Annual Plan - Page 60

VI. Miscellaneous Updates

A. Quarterly Report on Fraud, Waste and Abuse Hotline Cases

Fraud, Waste and Abuse Report - May 1 2023 through July 31 2023 - Page 62

B. Management's Quarterly Travel Expenses and Per Diem Report

Travel Expenses and Per Diem Report as of June 30, 2023 - Page 65

C. Committee Meeting Schedule for Calendar Year 2024

D. Next Meeting Date: December 7, 2023 at 10 a.m.

VII. Audit Reports

A. Report 454: Human Resources and Employee Payroll

Audit Report #454 - Human Resources and Employee Payroll - Page 86

B. Report 453: Logical and Physical Access (Closed Session)

Closed Session Language - Page 105

VIII. Review of Audit Director's Performance (Closed Session)

A. RBA: Audit Director Performance Review

RBA: Audit Directors Performance Review - Page 106

Minutes

The Audit and Compliance Committee of the Board of Trustees met on June 13, 2023, at the Virginia Retirement System located in Richmond, Virginia. The following individuals were present.

Audit and Compliance Committee Members:

Joseph W. Montgomery, Committee Chair

W. Brett Hayes, Committee Vice Chair

A. Scott Andrews, Board Chair – attended remotely from The Plains, Virginia under § 2.2-3708.3(B)(3)

Other Members of the Board of Trustees:

J. Brandon Bell, II – attended remotely from Roanoke, Virginia under § 2.2-3708.3(B)(3)

John M. Bennett

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Judy Bolt, Jeanne Chenault, Michael Cooper, Antonio Fisher, Joshua Fox, Krystal Groff, Robert Irving, Curt Mattson, Matthew Priestas, Mark Rein, Kristy Scott, Scott Weaver, Leslie Weldon and Cynthia Wilkinson.

Guests:

Zach Borgerding, Gary Gammon and Erin Rodriguez, Auditor of Public Accounts

The meeting convened at 1:00 p.m.

Opening Remarks

Joseph W. Montgomery called the meeting to order and welcomed everyone to the June 13, 2023, meeting of the Audit and Compliance Committee of the Virginia Retirement System Board of Trustees and noted no changes or additions to the meeting agenda. After noting that meeting was being held in accordance with Section 2.2-3708.3(B)(3) of the Code of Virginia, Mr. Montgomery completed a roll call for attendance purposes:

Mr. Hayes: Present

Mr. Andrews: Present

Senator Bell: Present

Mr. Bennett: Present

Mr. Montgomery: Present

Approval of Minutes

Upon motion of Mr. Bennett, seconded by Mr. Andrews, the Committee approved the minutes of the Audit and Compliance Committee meeting held on March 29, 2023, with the following roll call vote:

Mr. Hayes: Aye

Mr. Andrews: Aye
Senator Bell: Aye
Mr. Bennett: Aye
Mr. Montgomery: Aye

Status Update for the 2022 Employer Assurances Review

Mr. Borgerding updated the Committee on the status of the Auditor of Public Accounts' (APA) separate examinations designed to provide participating employers and their auditors the assurances necessary to prepare their own annual financial statements in accordance with Governmental Accounting Standards Board Statements No. 68 and 75.

He noted these examinations are progressing as planned and the APA should conclude their work and issue the related opinions for the pension and OPEB plans during the month of July. The results of these examinations will be presented to the Committee during its next meeting in September.

Entrance Conference on 2023 Annual Comprehensive Financial Report (ACFR)

The Committee proceeded to the scheduled entrance with the APA. The primary purpose of the entrance meeting was to review the approach and scope of the APA's annual examination of VRS' ACFR for the fiscal year ending June 30, 2023. Mr. Borgerding noted the APA's primary responsibilities under Generally Accepted Auditing Standards are to provide reasonable assurance as to whether the financial statements are free of material misstatements. Mr. Borgerding also noted APA's responsibility to determine that VRS' financial information is accurately incorporated into the statewide ACFR.

Mr. Borgerding further addressed the APA's use of materiality, responsibility for identifying fraud, as well as reporting on non-compliance items that could have a material direct or indirect effect on financial statements.

Finally, Mr. Borgerding shared a report on internal controls and compliance will be provided and any significant findings over internal controls would be included in the Statewide Single Audit (SSA) Report. Mr. Borgerding provided further information about the SSA and its related report.

Audit Reports

The Committee received two audit reports from staff.

Audit Report 451 – Service Retirements

Ms. Bolt presented the results of Internal Audit's review of Service Retirements. The review determined sufficient controls are in place to support service retirement application processing and that the associated processes are working as intended. There were no written recommendations resulting from the review.

Audit Report 452 – Review of VRS’ Master Custodian

Mr. Fox presented the results of Internal Audit’s Review of VRS’ Master Custodian, noting it should not be considered an examination in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The review’s general assessment found an appropriate operating environment and controls associated with the recordkeeping and safeguarding of assets held by the master custodian. Further, the review determined that VRS and the master custodian had complied with the contractual agreement and related amendments. Mr. Fox indicated there were no written recommendations resulting from this review. The Committee discussed cash investment practices.

Acceptance of the Audit Reports

Upon motion of Mr. Bennett, seconded by Mr. Hayes, the Committee accepted audit reports 451 and 452 as presented with the following roll call vote:

Mr. Hayes: Aye
Mr. Andrews: Aye
Senator Bell: Aye
Mr. Bennett: Aye
Mr. Montgomery: Aye

Introduction of the IIA IPPF Evolution

Ms. Schreck provided an overview of the Institute of Internal Auditors’ (IIA) current project to update its *International Professional Practices Framework (IPPF)*. With the project still underway, Ms. Schreck discussed noteworthy changes identified in the current draft of the revised IPPF, the planned timeline for its implementation and how the VRS Internal Audit Department is providing feedback for the project and preparing for the changes.

Miscellaneous UpdatesQuarterly Report on Fraud, Waste and Abuse Hotline Cases

Ms. Schreck shared there were no Fraud, Waste and Abuse cases reported for the period February 1, 2023, through April 30, 2023.

Management’s Quarterly Travel Expenses and Per Diem Report

Ms. Schreck observed management’s quarterly travel expenses and per diem report was included in the meeting materials for the Audit and Compliance Committee’s review.

Next Committee Meeting Date

Ms. Schreck noted the next meeting of the Committee is scheduled for September 20, 2023, at 10:00 a.m.

Meeting Adjournment

There being no further business, upon motion by Mr. Hayes, seconded by Mr. Bennett, the Audit and Compliance Committee adjourned the meeting at approximately 1:40 p.m. with the following roll call vote:

Mr. Hayes: Aye
Mr. Andrews: Aye
Senator Bell: Aye
Mr. Bennett: Aye
Mr. Montgomery: Aye

Committee Chair

Secretary

Matters for Discussion with the Auditor of Public Accounts

MATTERS FOR DISCUSSION WITH THE APA

Exit on the VRS 2022 Employer Assurances Audit

The APA will exit with the committee on the results of their 2022 Employer Assurances Audit for GASB No. 68 and 75. A listing of and hyperlink to the 11 reports issued by the APA from this audit effort is provided for your convenience in the call out box to the left. The APA's presentation highlights the results of their work which will be discussed with the committee.

For reference purposes, a list of some types of questions posed to external auditors when exiting are provided below. However, exit meetings with the APA are typically informal, with questions posed as the committee sees fit.

Typical Questions Posed to External Auditors when Exiting

- Were there any significant adjustments to the accounting records?
- Were there any significant accounting or auditing problems encountered during the examination? Do any remain unresolved?
- Were there any significant changes in accounting policies or principles during the year?
- Were there any indications of financial weaknesses, which should be addressed by the Committee?
- Did you detect any material errors, fraud, illegal acts, or significant deficiencies or material weaknesses in the internal control system?
- Are there any pertinent comments concerning operations in general?
- Did you review information furnished to others (e.g., actuaries)?
- Did the quality and quantity of personnel involved in the preparation and control of financial information appear adequate? Did personnel seem to be fulfilling their responsibilities in a conscientious and professional manner?
- Was the level of cooperation received from management and internal audit during the examination appropriate?
- Did you have enough time to complete all phases of your audit?

Update on the 2023 Annual Comprehensive Financial Report

The APA will provide a brief update to the committee on the progress of their review of VRS' Annual Comprehensive Financial Report.

GASB No. 68 RELATED REPORTS

[VRS Management's Assertions Related to Census Data for the fiscal year ended June 30, 2021](#)

[State Employee Retirement Plan for the fiscal year ended June 30, 2022](#)

[Political Subdivision Retirement Plan for the fiscal year ended June 30, 2022](#)

[Teacher Retirement Plan for the fiscal year ended June 30, 2022](#)

GASB No. 75 RELATED REPORTS

[VRS Management's Assertions Related to OPEB Census Data for the fiscal year ended June 30, 2021](#)

[Disability Insurance Program for the fiscal year ended June 30, 2022](#)

[Group Life Insurance Plan for the fiscal year ended June 30, 2022](#)

[Line of Duty Act Program for the fiscal year ended June 30, 2022](#)

[State Health Insurance Credit Plan for the fiscal year ended June 30, 2022](#)

[Teacher Health Insurance Credit Plan for the fiscal year ended June 30, 2022](#)

[Political Subdivision Health Insurance Credit Plans for the fiscal year ended June 30, 2022](#)



FY 2022 VRS Employer Assurances Engagement

September 20, 2023

Zach Borgerding, Audit Director

Auditor of Public Accounts

Pension and OPEB Plan Types

Single Employer

- Single plan that covers the employees of a single employer

Agent Multiple Employer

- Single plan that covers the employees of multiple employers
- Plan assets are segregated for each participating employer and cannot legally be used to pay other employer's pension or OPEB obligation

Cost Sharing Multiple Employer

- Single plan that covers the employees of multiple employers
- Plan assets are not legally segregated for each participating employer and can legally be used to pay other employer's pension or OPEB obligation

Agent Multiple Employer Plans

- Pensions – Political Subdivisions



- Health Insurance Credit – Political Subdivisions



Agent Multiple Employer Plan Audit Assurances

Provide opinion on proper accumulation of census data by the plan

Provide opinion on fair presentation of changes in FNP by employer

Net Liability is the Residual Balance

Total Pension Liability

Less: Fiduciary Net Position

Net Pension Liability

Total OPEB Liability

Less: Fiduciary Net Position

Net OPEB Liability

VRS Cost Sharing Multiple Employer Plans

PENSION

- State Plan
- Teacher Plan

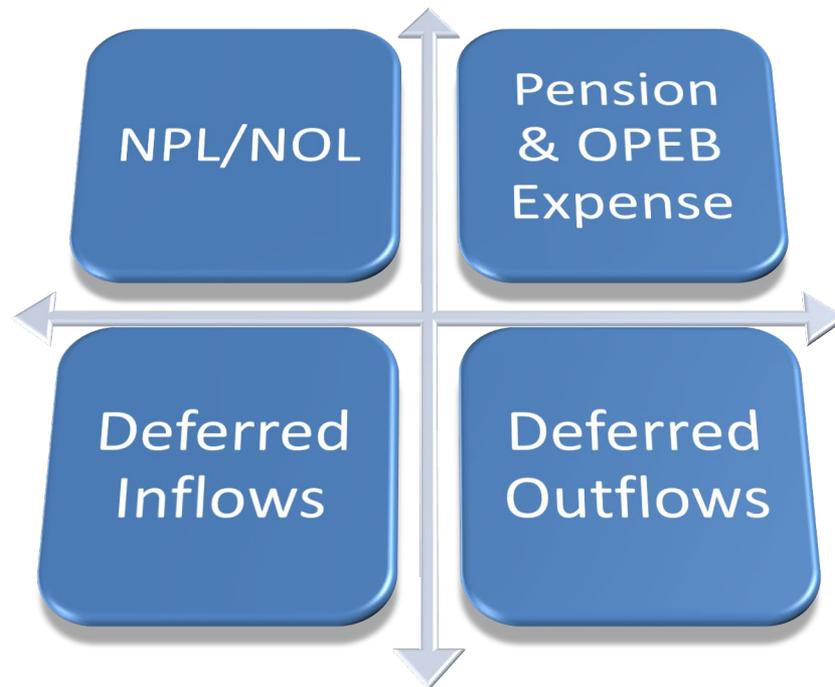
OPEB

- Health Insurance Credit – Teacher
- Health Insurance Credit – State
- Group Life Insurance
- Line of Duty Act
- Virginia State Disability Program
- Virginia Local Disability Program (No opinions)

Cost Sharing Multiple Employer Audit Assurances

- Provide opinion on pension/OPEB amounts at plan level

- Provide opinion on employer allocation percentages



Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40100	ACCOMACK COUNTY SCHOOL BOARD	\$ 3,023,764	0.35461%
40101	ALBEMARLE COUNTY SCHOOLS	9,491,479	1.11311%
40102	ALLEGHANY COUNTY SCHOOL BOARD	1,435,188	0.16831%
40103	AMELIA COUNTY SCHOOL BOARD	903,338	0.10594%
40104	AMHERST COUNTY SCHOOL BOARD	2,704,879	0.31721%
40105	APPOMATTOX COUNTY SCHOOL BOARD	1,176,909	0.13802%
40106	ARLINGTON PUBLIC SCHOOLS	29,095,514	3.41217%
40107	AUGUSTA COUNTY SCHOOL BOARD	6,291,642	0.73785%
40108	BATH COUNTY SCHOOL BOARD	498,809	0.05850%
40109	BEDFORD COUNTY SCHOOL BOARD	5,682,514	0.66642%
40110	BLAND COUNTY SCHOOL BOARD	483,108	0.05666%
40111	BOTETOURT COUNTY SCHOOLS	3,106,162	0.36427%
40112	BRUNSWICK COUNTY PUBLIC SCHOOLS	1,137,210	0.13337%
40113	BUCHANAN COUNTY SCHOOL BOARD	1,757,633	0.20613%
40114	BUCKINGHAM COUNTY SCHOOL BOARD	1,213,826	0.14235%

APA Issued Unmodified Opinions for:

- Accurate and complete accumulation of census data to the actuary for pensions and OPEBs
- Fair presentation of the Schedules of Changes in Fiduciary Net Position at the employer level and related notes
- Fair presentation of pension/OPEB amounts, special contributions, non-employer contributions and employer allocations and related notes

Census Data Opinion: Emphasis of Matter

- VRS does not have access to certain census data elements for retirees from an Optional Retirement Plan (ORP) who are eligible for HIC or GLI and have not claimed a benefit
- Actuary has applied assumptions in place of the data in accordance with Actuarial Standards of Practice
- Opinion was not modified in respect to this matter

Report Revisions

- Adjusted Presentation of State Pension Plan Special Employer Contributions
- Clerical Corrections to Group Life Insurance Political Sub-Division Deferred Inflows at the Employer Level
- Miscellaneous Edits to Disclosures (none individually material to users of the schedules)

Political Subdivision HIC – New Line Item

- Note 1 excerpt:

During the fiscal year ending June 30, 2022, VRS adjusted allocations of HIC benefit payments through a Request for Administrative Action (RAA) to better align the HIC payments with earned service credits. This adjustment resulted in a transfer among the employer codes within HIC and is captured in the “Other Changes” category of the Schedule of Changes in Fiduciary Net Position.

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended and Measurement Date of June 30, 2022

Employer Code	Entity	Employer Contributions	Employee Contributions	Net Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Net Change of Fiduciary Net Position	Fiduciary Net Position Beginning of Year	Fiduciary Net Position End of Year
55544	Henry County Public Schools	31,497	—	(262)	(21,812)	(85)	281	9,619	42,843	52,462
55545	Highland County Public Schools	2,040	—	8	(2,147)	(5)	177	73	2,400	2,473
55546	Isle of Wight County Schools	9,189	—	(183)	(2,806)	(26)	286	6,460	8,161	14,621
55548	King George County School Board	18,422	—	(385)	(3,009)	(63)	—	14,965	19,442	34,407
55549	King and Queen County School Board	7,508	—	(142)	(1,292)	(27)	—	6,047	6,930	12,977
55550	King William County Schools	9,878	—	(212)	(1,404)	(34)	—	8,228	10,011	18,239
55551	Lancaster County School Board	8,752	—	(142)	(3,222)	(28)	—	5,360	10,047	15,407
55552	Lee County School Board	23,236	—	(1)	(80,400)	—	101,856	44,691	(61,935)	(17,244)
55553	Loudoun County School Board	147,584	—	2,469	(144,601)	(4,073)	35,566	36,945	2,316,985	2,353,930
55554	Louisa County Public Schools	17,460	—	417	(21,956)	(558)	2,057	(2,580)	326,608	324,028
55555	Lunenburg County School Board	6,514	—	(103)	(1,566)	(25)	—	4,820	7,137	11,957
55556	Madison County School Board	8,669	—	(88)	(4,085)	(28)	—	4,468	9,149	13,617
55557	Mathews County School Board	10,034	—	(177)	(2,572)	(32)	386	7,639	10,381	18,020
55558	Mecklenburg County Schools	15,501	—	(220)	(6,141)	(43)	—	9,097	14,047	23,144

Other Audit Results:

- No internal control weaknesses that we would consider significant deficiencies or material weaknesses
- No indications of non-compliance, fraudulent activity or illegal acts
- Proper treatment of accounting principles
- No material alternative accounting treatments
- No significant disagreements with management

Issuance of GASB 68 and 75 Resources

- Employers received the following pension and OPEB resources in early August:

Audited Schedules

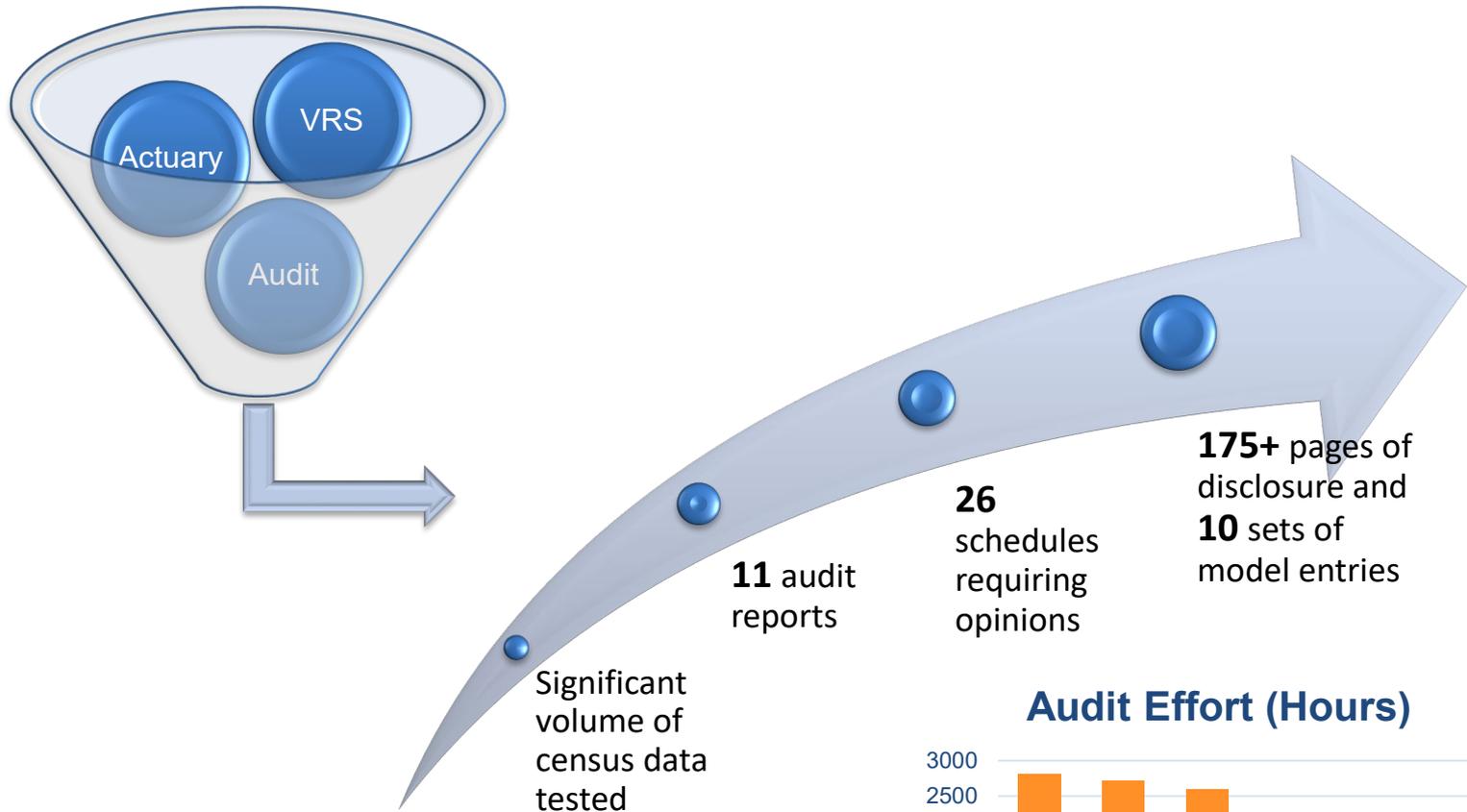
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GASB 68/75 Reports

Template Journal Entries

Template Note Disclosures

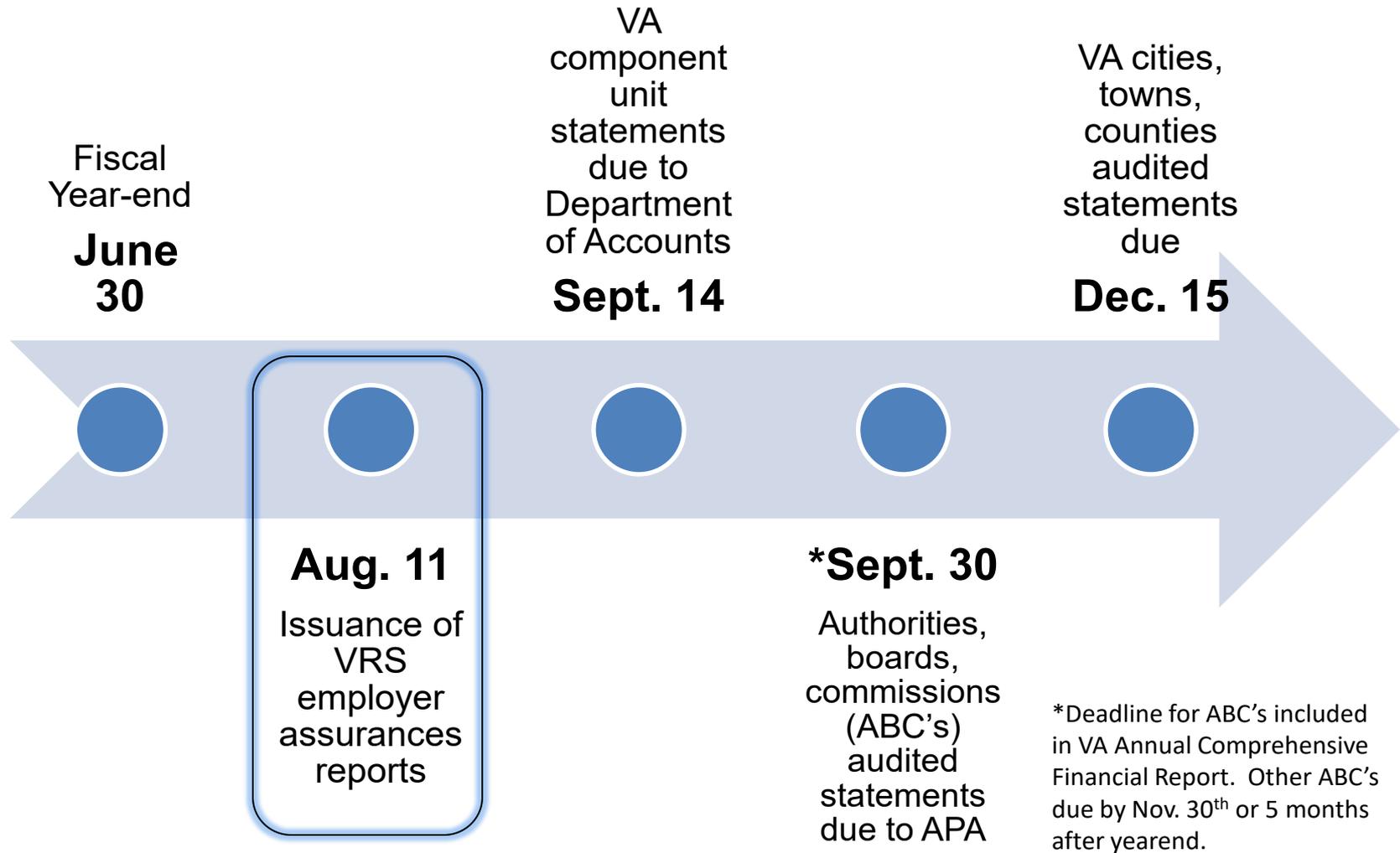
GASB 68 and 75 Project Scope



Audit Effort (Hours)



Timely Issuance for Employers



Employer Auditor Communications

- VRS audit team annually updates *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards and Commissions* for GASB 68 and 75 requirements
- APA Local Government Audit Manager and the VRS audit team communicate with local employer auditors to address inquiries
- We have received few questions or concerns from local employer auditors

VRS Annual Report Audit – Progress Update

- On schedule
- No findings issued to this point
- Change in audit team assignment
- No additional observations that require the Committee's attention

Intended Use Statement

This presentation is intended solely for the information and use of those charged with governance and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Internal Audit Assurance Reviews



Date: September 12, 2023

To: Trish Bishop, Director

From: Jennifer Schreck, Internal Audit Director
Joshua Fox, Principal Auditor

Subject: Review of FY2023 Agency Performance Outcomes and Operational Measures

As part of our annual process, Internal Audit has reviewed the status of the 2023 Agency Performance Outcomes (APOs) and Operational Measures (OMs), as set forth by management for the fiscal year ended June 30, 2023. The purpose of our review was to obtain reasonable, but not absolute assurance that the status of such outcomes and measures were fairly represented in management's status reports.

Based upon our review of available documentation, attendance at VRS Board and Committee meetings and discussions with various VRS personnel, nothing came to our attention to cause us to question the representations set forth by management with respect to either the APOs or the OMs. Accordingly, we have no reason to believe that the APOs and OMs were not appropriately represented as satisfied for the fiscal year ended June 30, 2023.

I would like to commend the management team and staff for their accomplishments this past year. Please feel free to share this information with the Administration, Finance and Talent Management Committee as well as the full Board of Trustees, as you deem appropriate.



Date: September 11, 2023

To: Paula Reid, Director of Human Resources

CC: Trish Bishop, Director
Andrew Junkin, Chief Investment Officer

From: Jennifer Schreck, Internal Audit Director 
Joshua Fox, Principal Auditor

Subject: **Review of FY2023 Investment Incentive Compensation**

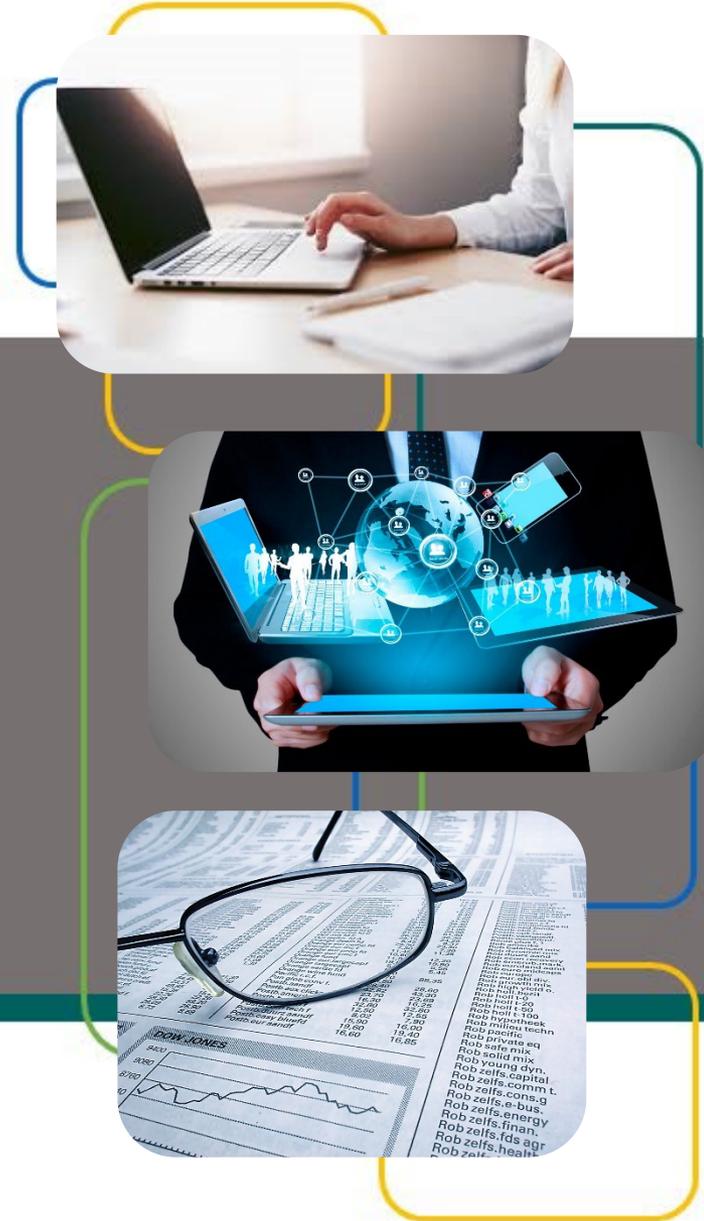
Internal Audit has reviewed the proposed Investment Incentive Compensation for the fiscal year ended June 30, 2023. As presented, the Investment Incentive Compensation amount, in aggregate, is **\$9,151,854.92**, where a qualitative multiplier of **1.0** is used for the Chief Investment Officer.

We confirmed all Investment Professionals met the eligibility requirements as outlined in the Investment Professionals' Pay Plan. Further, we found the aggregate amount, as well as the proposed individual payment amounts, were accurately computed in accordance with the Investment Professionals' Pay Plan, effective **June 10, 2023**.

Please share this information with the Administration, Finance and Talent Management Committee as well as the Board of Trustees, as you deem appropriate.

Annual Progress Reports for FY 2023

Internal Audit FY 2023 Annual Report As of June 30, 2023



The Year in Review



Supporting Risk Management



Emphasizing IT assurance responsibilities, capabilities and opportunities to collaborate with the business on consideration of emerging risks

Supporting agency initiatives including:

- Diversity Program
- Enterprise Risk Management
- Enterprise Performance Management
- Records Management



Increasing data access and business intelligence capabilities to support data-driven reviews and decisioning through cross-training and inter-departmental collaboration

Highlighting the opportunity for and value in partnership to address risk by promoting IA Awareness Month



Dedicated to VRS' Commitment

“Serving those who serve others”
by serving VRS



Research and preparation for impacts of IIA's International Professional Practices Framework (IPPF) Evolution Project

Focus on internal quality assurance responsibilities:

- Improvement Program
- Review, enhancement and creation of new tools
- Review and analysis of the departmental and committee charters



Preparing for Change

Institute of Internal Auditors

Sharing feedback on the IPPF Evolution Project leading to changes in the IIA's *Standards*

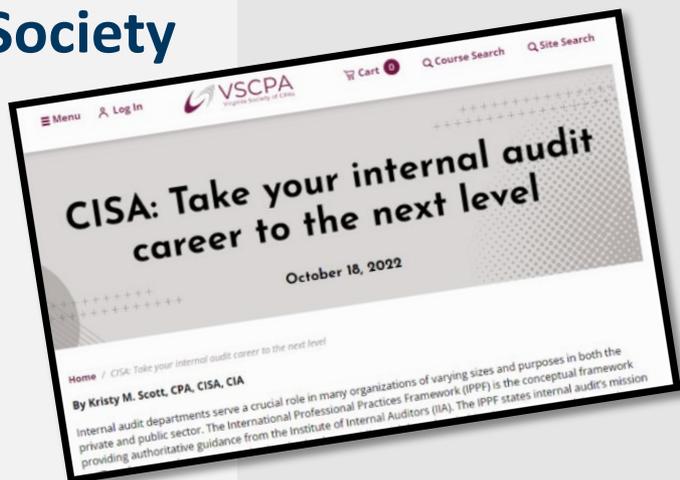


Serving as the external independent validator for an Association of Public Pension Fund Auditors' member's self-assessment

Judy Bolt and Jennifer Schreck

Virginia Society of CPAs

Kristy Scott



Serving on the Innovation Advisory Council to provide strategic direction and identify key initiatives and partners for the future

Information Systems Audit and Control Association

Taking on leadership roles to further organizational initiatives:

Matt Priestas
Board of Directors
Webmaster



Kristy Scott
Membership Committee Chairperson



Association of Public Pension Fund Auditors

Dedicated to VRS' Commitment
"Serving those who serve others"
by serving the Profession

Dedicated to VRS' Commitment

“Serving those who serve others”
by serving the Board and management

Focus on Independence and Objectivity



Maintaining our independence through annual conflict-of-interest certifications and communication in accordance with the IIA *Standards* and acknowledgement of responsibility for VRS' Code of Ethics and those of relevant professional organizations

Issuing Informative Reports

Offering formal and informal observations to support VRS' Vision “To be the trusted leader in the delivery of benefits and services to those we serve”

Highlighting VRS' core values in action and significant organizational initiatives and enhancements

Seeking opportunities to provide operational insight and enhancements through collaborative consulting

Providing Assurances regarding:

- VRS' relationship with its master custodian
- Processing of service retirement applications
- Conformance of VRS' information security program with the Virginia IT Agency's (VITA) standards
- Accuracy of cost-of-living allowances recommended by the VRS actuary
- Administration of the credit strategies and private investment partnerships programs
- Effectiveness of the design and implementation of IT application controls supporting myVRS, VRS' member portal
- Reliability of the application controls over VRS' general ledger system
- Oversight of the fixed income and securities lending programs
- Processing of disability retirements
- Accuracy of investment incentive compensation calculations
- Fulfillment of VRS' performance outcomes and operational performance measures

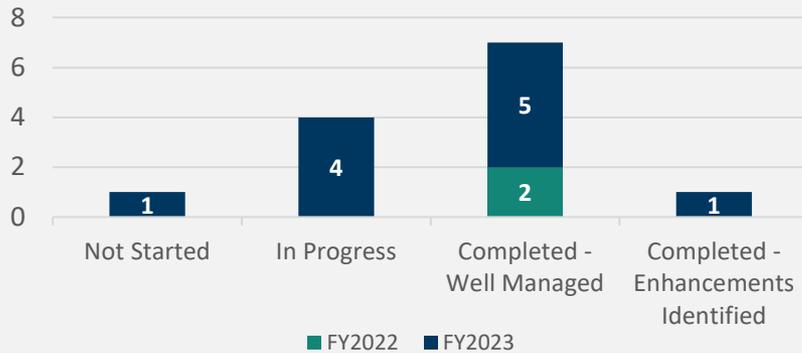
Annual Quality Assurance Improvement Program Review

Quarterly Reporting on Fraud, Waste and Abuse Hotline Cases

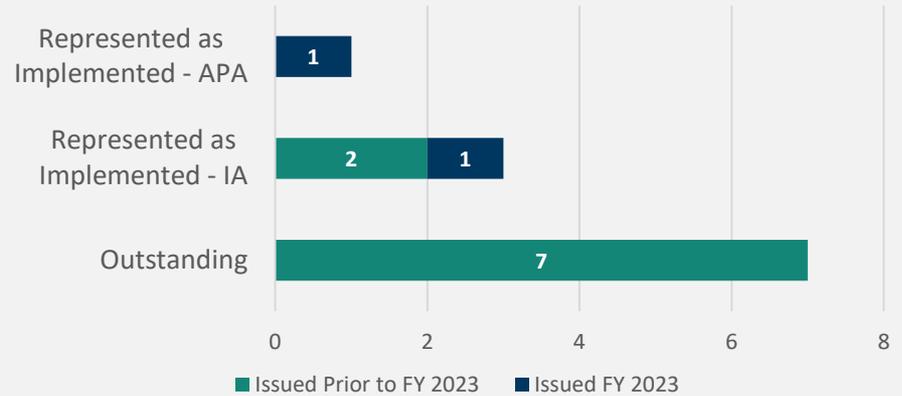
Annual Audit Recommendation Follow-up System (ARFUS) Review

FY 2023 Annual Plan Dashboard

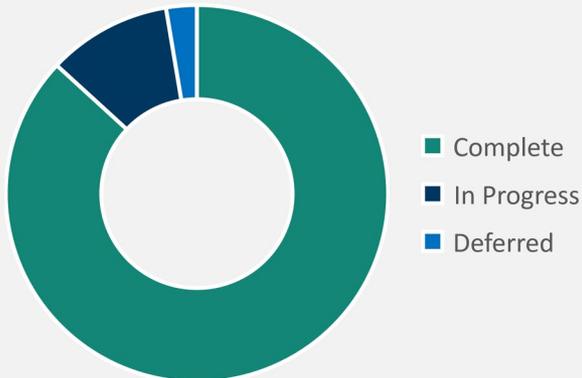
FY 2023 Mandatory and Risk-Based Project Status
(Includes FY 2022 projects issued in FY 2023)



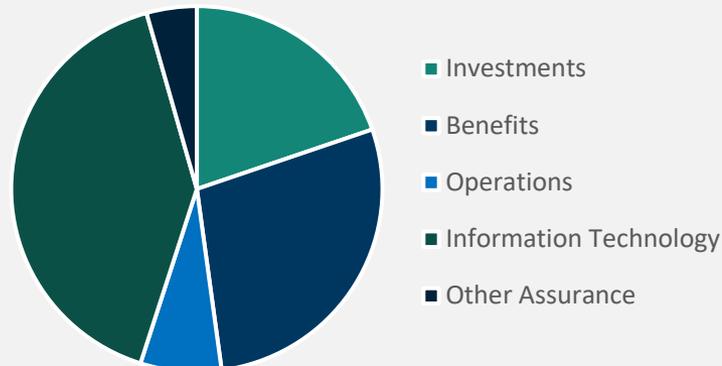
Audit Recommendation Follow-up Status (ARFUS)
as of June 30, 2023



FY 2023 Annual Plan 87% Complete



Planned FY 2023 Projects and Other Assurance by Area

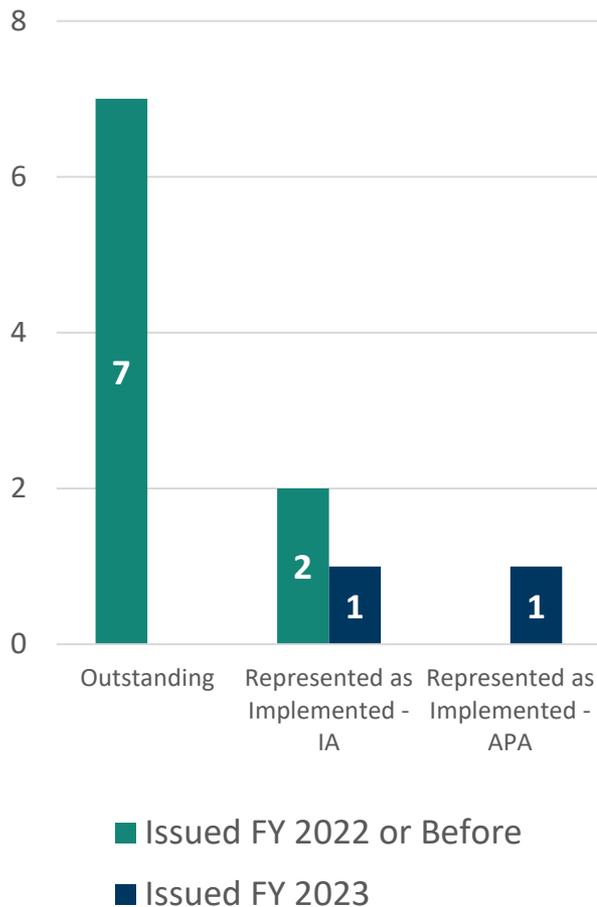


FY 2023 Projects In Progress

- Reporting out in September
- Human Resources and Employee Payroll
 - Logical and Physical Access
- Reporting out in FY 2024
- Investment Decision Systems
 - VRS Infrastructure Review

FY 2023 Annual ARFUS Review Results

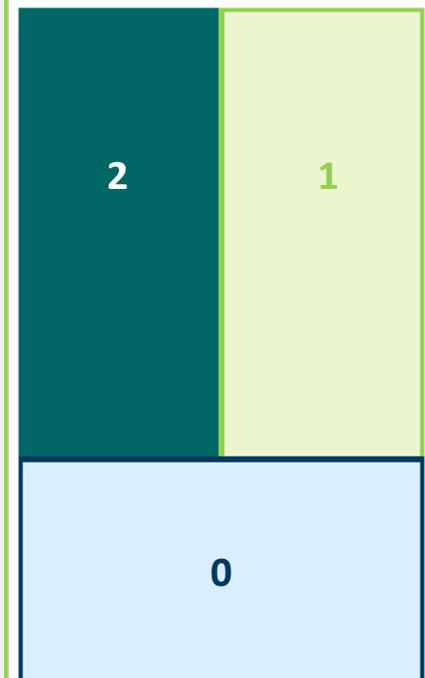
FY 2023 ARFUS Status
as of June 30, 2023



- As of June 30, 2023, ARFUS included a total of 11 recommendations
- Management represented four recommendations in ARFUS as implemented, one which was issued by the APA
- Upon review, three were released, one with comment
- Remaining recommendations will remain in ARFUS until represented as implemented by management and reviewed by Internal Audit for reasonableness

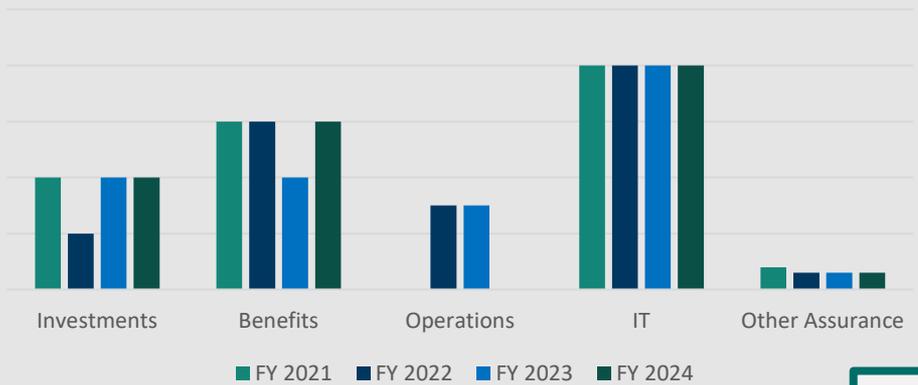
FY 2023 ARFUS
Annual Review
of Represented
Recommendations

■ Released
■ Released with Comment
■ Not Released

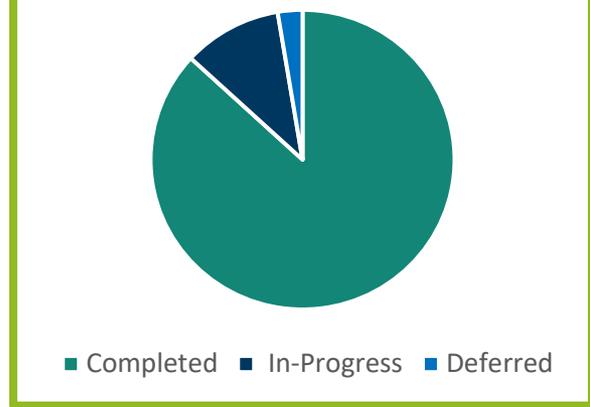


FY 2021 – FY 2024 Long-Range Plan Dashboard

Original Allocation of Projects by Area and Fiscal Year

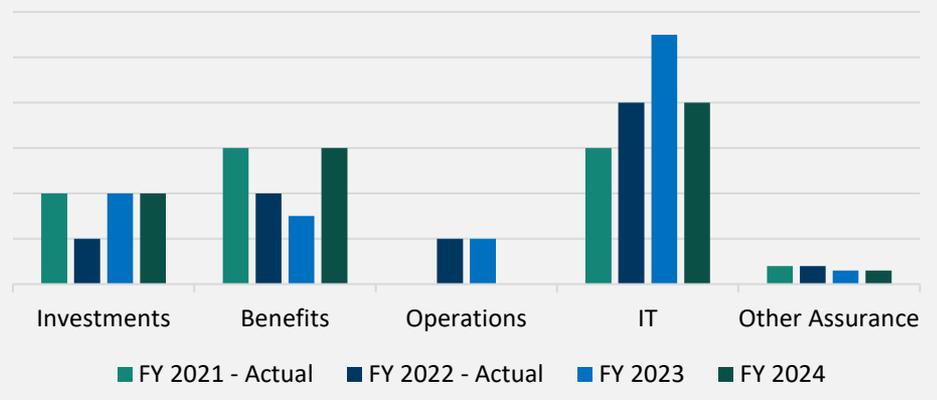


FY 2023 Results

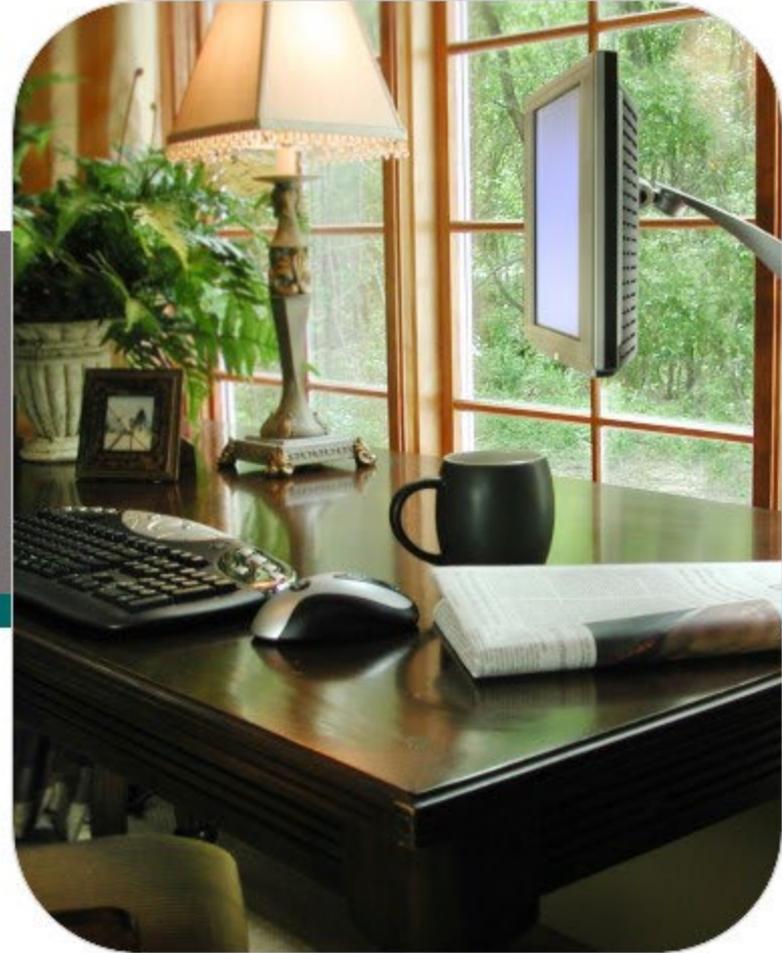


- Considering FY 2023’s results and VRS’ changing risk landscape, the timing and execution of the remaining approved projects have been adjusted
- This is the final year in this long-range cycle and therefore reflects the most significant adjustments
- These adjustments are designed to meet operational needs while still addressing key risks to the organization

Revised Allocation of Projects by Area and Fiscal Year



A Look Forward



Experience is Valued



Given the complexity of VRS' operations, the department does not employ entry-level auditors. Combined, the current team has over 100 years experience supporting the auditing profession.

IT Bench Strength Enhancements

Enhancing our knowledge and skills to support VITA-mandated audit responsibilities remains a priority given VRS' continued move to the cloud.

We are actively participating in training to prepare for the changing landscape and are excited to leverage additional technically trained resources in the IT audit space.



Planning for the Future

Planning to leverage the convergence of new IIA *Standards* with the development of our next long-range plan to seek input on the focus and nature of our work in the future. As we analyze both, we have the opportunity to change how we support management and the Board and leverage our skills to help VRS in the execution of its vision.



Professional Designations

CIA (Certified Internal Auditor)	CISA (Certified Information Systems Auditor)
CPA (Certified Public Accountant)	PMP (Project Management Professional)
CIDA (Certified Investments & Derivatives Auditor)	CFE (Certified Fraud Examiner)
CRMA (Certified in Risk Management Assurance)	

- Each team member holds two or more professional designations
- Continuing professional education is required to maintain these designations and helps ensure ongoing audit quality through knowledge and skill growth

Team Members and Qualifications

Matt Priestas

Principal Auditor for Information Technology, Security, Systems Development and Project Management

CISA, CIA, PMP, CRMA

B.S. in Management Information Systems, East Carolina University

Joined VRS in 2008, previously worked for the APA

Newscenter SharePoint Site Administrator, APPFA liaison

Judy Bolt

Principal Auditor for Benefits, Operations and Quality Assurance

CPA, CIA, CFE, CISA

B.S. in Accounting, Virginia Commonwealth University (VCU)

Joined VRS in 2012, previously worked for the APA and Owens and Minor

Lead for the Quality Assurance and Improvement Program

Josh Fox

Principal Auditor for Investments and Operations

CIA, CIDA, CFE

B.S. in Finance and Management, Virginia Polytechnic Institute and State University (Virginia Tech)

Joined VRS in 2014, previously worked for the APA

Lead for Investments, training as business intelligence back-up

Krystal Groff

Principal Auditor for Business Intelligence

CIA, CISA

B.S. in Computer Science, University of Mary Washington; M.S. in Nursing Informatics, Duke University

Joined VRS in 2015, previously worked for the Federal Reserve Bank of Richmond, Capital One and Circuit City

Experience with various technologies and programming languages including: SQL, Tableau, Ab Initio, UNIX and C

Kristy Scott

Principal Auditor for Governance and Program Administration

CPA, CISA, CIA

B.B.A., Roanoke College; Post-Baccalaureate Certificate in Accounting, VCU; holds COSO Enterprise Risk Management Certificate

Joined VRS in 2018, previously worked for the APA

Team SharePoint Site Administrator, training as business intelligence back-up

Jennifer Schreck

Internal Audit Director

CPA, CISA, PMP

B.S. in Accounting, College of William and Mary

Joined VRS in 2015, previously worked for the APA

Holds an Associate's Certificate in Project Management and a Master's Certificate in IT Project Management

Proposed FY 2024 Annual Plan

Derived from Approved Long-Range Plan. Adjusted for revised risk assessment and operational considerations.

Carry Over

Human Resources and Employee Payroll
(Reporting in Sept)

Logical and Physical Access Review
(Reporting in Sept)

Investment Decision Systems

VRS Infrastructure Review

Investments

Global Public Equity Program

Investment Balances, Performance Reporting and Investment Manager Compensation

Benefits

Long Term Care
(Deferred)

Member and Employer Contributions

Purchase of Prior Service
(Start in FY2024 and carryover to FY2025)

Refunds
(Started in FY2023 and carried over to FY2024)

Operations

Procurement and Contract Management
(Administration and Investments)
(Deferred)

Information Technology

Conformance of VRS' Information Security Program with VITA Standards
(Deferred)

Hosted Systems Review – Administration and Investments
(Start in FY2024 and carryover to FY2025)

VNAV and Related Systems Review
(Deferred)

Report on Fraud, Waste and Abuse Hotline Cases

Review of Investment Incentive Compensation Plan

Review Results of Agency Performance Outcomes

Verification of Cost of Living Adjustments

Administration of Staff Augmentation

Development of the 2025-2028 Long-Range Audit Plan

Implementation of new IIA Standards

BACKGROUND

The Audit Recommendation Follow-Up System (ARFUS) is a reporting mechanism for monitoring the status of audit recommendations issued by Internal Audit, the Auditor of Public Accounts (APA) or other external entities. Internal Audit maintains the information recorded in ARFUS with the cooperation and assistance of management.

On a quarterly basis, Internal Audit requests and receives progress reports from management on outstanding recommendations, which describe the status of the actions taken in response to the recommendations. While compiled by Internal Audit, the information included in the quarterly summary reflects the representations of the responsible party and are not subject to verification by Internal Audit at that time. Recommendations represented as “implemented” remain in ARFUS until Internal Audit performs its review to obtain reasonable assurance that the essence of the recommendation has been implemented.

Annually, Internal Audit conducts its limited review on all recommendations represented as implemented to obtain assurance that management has in fact reasonably addressed these recommendations. Where reasonable implementation is confirmed, the recommendation is released from ARFUS and is no longer subject to monitoring by Internal Audit. Further, Internal Audit identifies the addition and removal of any audit recommendations issued by the APA within ARFUS based upon a review of APA reports.

The purpose of this report is to convey the results of our review regarding the audit recommendations represented as implemented as of June 30, 2023.

RECOMMENDATION VALIDATION AND RELEASE FROM ARFUS

During fiscal year 2023, management represented four recommendations as implemented, including one recommendation issued by the APA. Internal Audit reviewed the three Internal Audit recommendations to validate that they were reasonably addressed. This review was not designed to test the operational effectiveness of the implemented controls. The testing of these controls will be considered within the scope of future audits. Our review found the three Internal Audit recommendations have been sufficiently implemented and no longer warrant oversight. Accordingly, Internal Audit is releasing these recommendations from ARFUS. While management has represented the APA-issued recommendation as implemented, the APA will not report on their review of management’s representations until the conclusion of the Fiscal Year 2023 Annual Comprehensive Financial Report audit. As a result, their recommendation will remain in ARFUS.

ARFUS Activity during FY 2023			
ARFUS Components	Internal Audit	APA*	Total
Total Outstanding Recommendations as of June 30, 2022	9	–	9
Recommendations Added during FY 2023	1	1	2
<i>Total Recommendations for FY 2023 (available for remediation)</i>	10	1	11
<i>Informational: Recommendations Represented as Implemented during FY 2023</i>	3	1	4
Represented Recommendation(s) tested and released by Internal Audit (see page 2)	(3)		(3)
Represented Recommendation(s) tested and released by APA (see page 4)	–	–	–
Total Outstanding Recommendations as of June 30, 2023 (see page 3)	7	1	8

* Recommendations issued by the APA are listed separately from the Internal Audit activity above, as the decision to issue or release such findings rests with their office.

STATUS OF RECOMMENDATIONS REPRESENTED AS IMPLEMENTED

The table below reflects the status of each recommendation represented as implemented (with explanatory comments as appropriate). Please note that the “Audit # - Audit Name” has been hyperlinked to the applicable audit report and management response within Directors Desk.

Audit # - Audit Name	Recommendation Represented as Implemented	Management's Target Date	Completion Date	Audit Comments
444 – Review IT General Controls	Ensure Completion of Required Continuity Plan Testing, Training Exercises and Review	December 31, 2022	December 31, 2022	Released without Comment Fully Implemented
444 – Review IT General Controls	Improve Configuration and Procedural Documentation Update Process	April 1, 2023	March 31, 2023	Released without Comment Fully Implemented
447 – Review of General Ledger System	Monitor Service Accounts and Application Identities	June 30, 2023	March 31, 2023	<p>Released with Comment</p> <p>The portion of the recommendation specific to the General Ledger is fully implemented and therefore released.</p> <p>The broader recommendation regarding overall service account monitoring will continue to be tracked in ARFUS as a part of the “Enhance Annual Access Monitoring” recommendation included in Report No. 453, Logical and Physical Access. Therefore, this recommendation is released.</p>

OUTSTANDING AUDIT RECOMMENDATIONS AS OF JUNE 30, 2023

The following is a list of outstanding recommendations remaining in ARFUS as of June 30, 2023. Please note that the "Audit # - Audit Name" has been hyperlinked to the applicable audit report and management response within Directors Desk.

Audit # - Audit Name	Recommendation	Report Date	Management's Target Date
412 – Hybrid Plan	Improve the Expected versus Actual Contributions Reconciliation Review Process	11/01/2017	July 1, 2024* December 31, 2019
425 – Review of the General Controls within the IT Client-Server Environment	Update Retention and Disposition Schedules to align with Library of Virginia Standards as well as VRS' Actual Practice	08/01/2019	TBD* June 30, 2021
439 – Review of the Vendor Hosted Systems in Administrative Operations	Update Policies and Procedures and Promote Organizational Awareness	August 1, 2021	TBD
439 – Review of the Vendor Hosted Systems in Administrative Operations	Enhance Risk Monitoring of Hosted System Vendors	August 1, 2021	TBD
439 – Review of the Vendor Hosted Systems in Administrative Operations	Evaluate Vendor Risk Management Considerations in the Procurement Process	August 1, 2021	TBD

Audit # - Audit Name	Recommendation	Report Date	Management's Target Date
444 – Review of IT General Controls	Enhance Data Fix Processes and Controls	May 20, 2022	February 28, 2024* June 30, 2023
444 – Review of IT General Controls	Fortify Processes Surrounding Devices Used for International Travel	May 20, 2022	November 30, 2023* June 30, 2023 October 31, 2022

*The Director’s Executive Committee approved revisions to the original target date as reflected in the table above.

RECOMMENDATIONS ISSUED BY THE APA

Recommendations issued and released by the APA are captured based on the results reflected in their reports and are included below for informational purposes. Please note that the “Audit Name” has been hyperlinked to the applicable audit report on the APA’s website.

Audit Name	Recommendation	Represented as Implemented? (Y/N)	Management's Target Date	Completion Date	Audit Comments
Auditor of Public Accounts, VRS Report on Audit – June 30, 2022	Improve Service Provider Oversight	Y	TBD	March 31, 2023	This recommendation has not been validated by the APA and will not be released until their validation is complete.

Internal Audit FY2023 Annual Audit Plan Progress Report

As of June 30, 2023



Progress Summary.....	1
Detailed Analysis.....	2-3
Explanatory Notes and Acronyms.....	4

FY 2023 Annual Audit Plan Progress Report

As of June 30, 2023

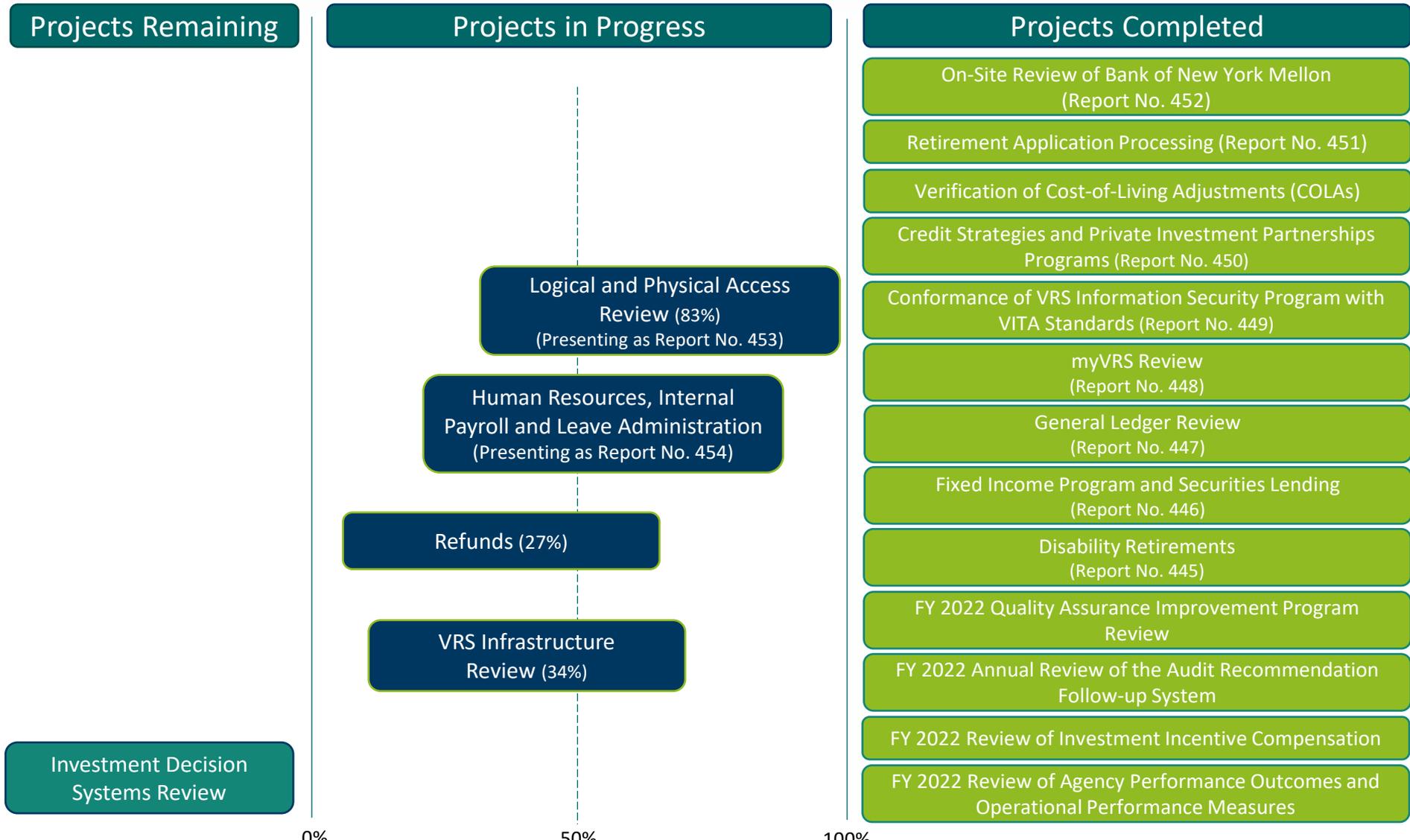


Summary

Projects Remaining

Projects in Progress

Projects Completed



FY 2023 Annual Audit Plan Progress Report

As of June 30, 2023

Detailed Budget vs. Actual



Project/Activity	For FY2023		Total Actual Hours to Date	Estimated Remaining Hours	For the Project		
	Budgeted Hours	Status			Actual or Estimate of Total Hours Needed	Actual or Estimated Variance Over/ (Under)	New FY2024 Carryover Hours
RISK BASED PROJECTS							
Carry Over from Prior Annual Plan							
Fixed Income Program and Securities Lending	100	Complete	95	-	95	(5)	-
Disability Retirements	50	Complete	46	-	46	(4)	-
myVRS Review	500	Complete	557	-	557	57	-
Investments							
Credit Strategies and Private Investment Partnerships	600	Complete	602	-	602	2	-
On-Site Review of Bank of New York Mellon	450	Complete	464	-	464	14	-
Benefits							
Refunds ⁽¹⁾	200	In Progress	219	-	219	19	-
Retirement Application Processing	800	Complete	985	-	985	185	-
Operations							
Human Resources, Internal Payroll and Leave Administration ⁽²⁾	600	In Progress	525	250	775	175	250
Information Technology							
Conformance of VRS Information Security Program with VITA Standards	150	Complete	153	-	153	3	-
General Ledger Review	625	Complete	657	-	657	32	-
Investment Decision Systems Review ⁽³⁾	600	Not Started	-	600	600	-	600
Logical and Physical Access Review ⁽²⁾	700	In Progress	730	150	880	180	150
VRS Infrastructure Review ⁽³⁾	125	In Progress	51	-	51	(74)	-
OTHER AUDIT REPORTING AND SUPPORT							
Other Reporting							
Audit Quality Assurance Improvement Program ⁽⁴⁾	150	FY22 Complete	214	-	214	64	-
Audit Recommendation Follow-Up System Annual Review ⁽⁴⁾	150	FY22 Complete	21	-	21	(129)	-
Audit Recommendation Follow-Up System Quarterly Monitoring	25	Complete	32	-	32	7	-
Report on Fraud, Waste and Abuse Hotline Cases	75	Complete	13	-	13	(62)	-
Review of Investment Incentive Compensation Plan	75	Complete	83	-	83	8	-
Review Results of Agency Performance Outcomes ⁽⁴⁾	75	FY22 Complete	185	-	185	110	-
Verification of Cost-of-Living Adjustments	20	Complete	18	-	18	(2)	-

FY 2023 Annual Audit Plan Progress Report

As of June 30, 2023

Detailed Budget vs. Actual



Project/Activity	For FY2023		In FY2023		For the Project		
	Budgeted Hours	Status	Total Actual Hours to Date	Estimated Remaining Hours	Actual or Estimate of Total Hours Needed	Actual or Estimated Variance Over/ (Under)	New FY2024 Carryover Hours
OTHER AUDIT REPORTING AND SUPPORT, Continued							
Audit Support							
Coordination with the Auditor of Public Accounts	40	Ongoing	28	-	28	(12)	-
Data Analytics and Support	900	Ongoing	744	-	744	(156)	-
Develop and Update Annual and Long-Range Plans	125	FY22 Complete	55	-	55	(70)	-
Monitor Annual and Long-Range Plan Progress	100	Ongoing	111	-	111	11	-
Audit and Compliance Committee Support							
Review, Compile and Publish Meeting Materials	300	Ongoing	273	-	273	(27)	-
Attend Audit and Compliance Meetings	80	Ongoing	50	-	50	(30)	-
Prepare Committee Report and Meeting Minutes	80	Ongoing	55	-	55	(25)	-
ONGOING ACTIVITIES							
Risk Monitoring Activities							
Attend Board and other Committee Meetings	170	Ongoing	174	-	174	4	-
Attend Executive Team Meetings (DEC, Roadmap, C-suite)	100	Ongoing	105	-	105	5	-
Monitor and Review Professional Literature	90	Ongoing	68	-	68	(22)	-
Participate in Professional Organizations (IIA, ISACA, VSCPA, APPFA)	90	Ongoing	259	-	259	169	-
Other Administrative Activities							
Continuing Professional Education	360	Ongoing	459	-	459	99	-
Continuing Professional Education Administration	150	Ongoing	169	-	169	19	-
External Reporting and Other Interactions (OSIG/VITA)	10	Ongoing	22	-	22	12	-
Internal Audit Staff Meetings and Mentoring	300	Ongoing	464	-	464	164	-
Manage Budget, Departmental Files, SPCC, and Purchasing	100	Ongoing	67	-	67	(33)	-
Participate in VRS Events/Committees	150	Ongoing	151	-	151	1	-
Performance Standards and Evaluations	60	Complete	71	-	71	11	-
OTHER TIME							
Annual Leave ⁽⁵⁾	850	Ongoing	964	-	964	114	-
Holidays	672	Ongoing	696	-	696	24	-
Other Leave (Sick, Personal, Volunteer, etc)	660	Ongoing	740	-	740	80	-
Unplanned Hours ⁽⁶⁾	1,023	Ongoing	1,151	-	1,151	128	-
TOTAL TIME	12,480		12,526	1,000	13,526	1,046	1,000

FY 2023 Annual Audit Plan Progress Report

As of June 30, 2023

Detailed Budget vs. Actual



Notes:

- (1) This project as approved was planned to start later in the fiscal year and therefore will carry over into the next audit plan year to be reported out at the December Audit and Compliance Committee meeting.
- (2) These projects were planned to be completed in FY 2023; however, started later than originally envisioned and will carry over into FY 2024. Both will be reported out at the September Audit and Compliance Committee meeting.
- (3) These projects were planned to be completed in FY 2023; however, was deferred in consideration of competing information technology initiatives. It will be completed in FY 2024 instead.
- (4) These projects reflect annually recurring tasks which require testwork to be initiated in one audit plan year and the conclusion and reporting to occur in the next. The actual hours to date reflect time spent completing the FY 2022 projects and initiating the FY 2023 projects.
- (5) Adjusted to reflect approved leave during the remainder of the audit plan year.
- (6) The unplanned hours reported reflect departmental items not explicitly planned for in our original budget, such as
 - (A) Administrative and computer issues
 - (B) VRS provided training
 - (C) Internal Audit's involvement in VRS' Enterprise Risk Management and Enterprise Performance Management Initiative
 - (D) Internal Audit's involvement in VRS' Record Management Project
 - (E) Review and enhancement of departmental policies and procedures and supporting tools, including SharePoint audit documentation management
 - (F) Collaboration with the Information Technology Department

Acronyms not Described Elsewhere:

APPFA	Association of Public Pension Fund Auditors
C-suite	Chief Executives for VRS, including the Executive Director, Chief Investment Officer and Internal Audit Director
DEC	Director's Executive Committee
IIA	Institute of Internal Auditors
ISACA	Information System Audit and Control Association
myVRS	Web-based portal for members developed through the Modernization Program
OSIG	Office of the State Inspector General
Roadmap	Program management tool used by VRS management to monitor critical organizational activities
SPCC	Small Purchase Charge Card
VITA	Virginia IT Agency
VNAV	myVRS Navigator, administrative system developed through the Modernization Program
VSCPA	Virginia Society of Certified Public Accountants

Internal Audit FY 2021 – FY 2024 Long-Range Plan Progress Report

As of June 30, 2023



Analysis and Explanatory Comments.....	1-3
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Approved Projects	Approved Total Budgeted Hours	Actual Hours			Approved Budget FY2024	Total	Variance	Comments
		FY2021	FY2022	FY2023				
RISK BASED PROJECTS								
Carry Over from Prior Long-Range Plan								
Line of Duty Act	50	60				60	10	Complete
Member and Employer Contributions	200	220				220	20	Complete
Portfolio Intelligence Team	100	120				120	20	Complete
Investments								
Credit Strategies Program and Private Investment Partnerships (PIP)	600			600		600	-	Complete
Fixed Income Program and Securities Lending	600		700	100		800	200	Complete - See FY2022 Annual Plan Progress Report
Global Public Equity Program	600				600	600	-	
Internal Public Equity Program	550	900				900	350	Complete - See FY2021 Annual Plan Progress Report
Investment Balances, Performance Reporting and Investment Manager Compensation	750				750	750	-	
On-Site Review of Bank of New York Mellon	600			450		450	(150)	Complete
Private Equity Program	600	750				750	150	Complete
Benefits								
Deferred Compensation, Cash Match Plans, ORPs, VOLSAP and the Benefit Restoration Plan	700				-	-	(700)	Project deferred for consideration in a later period as the risk profile relative to other areas changed.
Disability Retirements	700		775	45		820	120	Complete - See FY2022 Annual Plan Progress Report
Health Insurance Premiums and Credits	400	400				400	-	Complete
Long-Term Care Program	400		-		-	-	(400)	Project originally moved to FY2024 to accommodate other adjustments and now deferred for consideration in a later period as its risk profile relative to other areas has changed.
Managed Disabilities Programs (VSDP and VLDP)	800			-		-	(800)	Project deferred based on FY2022 results for consideration in a later period as the risk profile relative to other areas changed.
Member and Employer Contributions	700				700	700	-	
Optional Retirement Plan Higher Education (ORPHE)	600	600				600	-	Complete
Purchase of Prior Service	700				300	300	(400)	Deferring initiation of project to later in the fiscal year in acknowledgement of competing operational priorities resulting in carryover of hours.
Refunds	800		-	200	600	800	-	In-progress, carrying over as planned (see FY2022 Long-Range Plan Progress Report).
Retiree Payroll - Processing and Changes	800	650	600			1,250	450	Complete - See FY2022 Long-Range Plan Progress Report
Retirement Application Processing	800		-	800		800	-	Complete
Operations								
Cash Assets and Cash Management (Administration and Investments)	600		750			750	150	Complete
Human Resources, Internal Payroll and Leave Administration	600			550	250	800	200	Later start, carryover to FY2024, reporting out September 2023.
Procurement and Contract Management (Administration and Investments)	600		-	-	-	-	(600)	Originally moved from FY2022/FY2023 to FY2024 to accommodate other adjustments, now deferred for consideration in a later period given ongoing agency initiatives/enhancements in this area.

Approved Projects	Approved Total Budgeted Hours	Actual Hours			Approved Budget		Total	Variance	Comments
		FY2021	FY2022	FY2023	FY2024				
RISK BASED PROJECTS, Continued									
Information Technology ⁽¹⁾									
Conformance of VRS Information Security Program with VITA Standards	600	150	150	150	-	450	(150)	FY2021, FY2022, FY2023 Complete. FY2024 deferred due to ongoing updates to VRS Information Security Program and pending VITA changes.	
General Controls Review over VRS' Operating Environment (Infrastructure Systems, excluding Physical Access)	800		1,200			1,200	400	Complete - See FY2022 Annual Plan Progress Report	
General Ledger Review	600		100	650		750	150	Complete	
Hosted Systems Review - Administration	1,000	400	300		200	900	(100)	FY2021 Project Complete - See Hosted Systems Review - Investments	
Hosted Systems Review - Investments	600			-		-	(600)	Merged with next cycle of the Hosted Systems - Administration project based on enhanced understanding, project timing revised as a result. Will initiate merged project in FY2024 and report out in FY2025.	
Investment Decision Systems Review	600			-	600	600	-	Project deferred to FY2024 due to competing priorities	
Logical and Physical Access Review (RAMS and Physical Access Infrastructure Systems)	700			700	150	850	150	Later start, carryover to FY2024, reporting out September 2023.	
myVRS Review	500		50	550		600	100	Complete	
VNAV and Related Systems Review	1,600	500	250		-	750	(850)	FY2021 Complete. Reported out in FY2022 therefore, next 3 year cycle allows for deferral to period outside of current cycle.	
VRS Public Website Review	1,000	-			-	-	(1,000)	Project deferred for consideration in a later period as the risk profile for the audit area changed.	
VRS Infrastructure Review				100	100			Special Project to be realized through supplemental resources, delayed initiation to FY2024 due to key infrastructure initiatives.	
OTHER AUDIT REPORTING AND SUPPORT									
Other Reporting									
Audit Quality Assurance Improvement Program	600	150	150	150	700	1,150	550	Adjusted to prepare for implementation of new auditing standards.	
Audit Quality Assurance Review - External (1 every 5 years)	10				10	10	-		
Audit Recommendation Follow-Up System Annual Review	600	150	150	150	150	600	-		
Audit Recommendation Follow-Up System Quarterly Monitoring	100	25	25	25	25	100	-		
Modernization Program Monitoring	200	280	60			340	140	Modernization Phase Four project schedule extended. Adjusted to include final reporting of the Modernization Program.	
Report on Fraud, Waste and Abuse Hotline Cases	300	75	75	75	75	300	-		
Review of Investment Incentive Compensation Plan	300	75	75	75	75	300	-		
Review Results of Agency Performance Outcomes (APOs)	300	75	75	75	75	300	-		
Verification of Cost of Living Adjustments (COLAs)	80	20	20	20	20	80	-		

Approved Projects	Approved Total Budgeted Hours	Actual Hours			Approved Budget FY2024	Total	Variance	Comments
		FY2021	FY2022	FY2023				
OTHER AUDIT REPORTING AND SUPPORT, Continued								
Audit Support								
Coordination with the APA	160	40	40	40	40	160	-	
Data Analytics and Support	3,600	900	900	900	900	3,600	-	
Develop and Update Annual and Long-Range Plans	600	125	125	125	225	600	-	
Monitor Annual and Long-Range Plan Progress	400	100	100	100	100	400	-	
Audit and Compliance Committee Support								
Review, Compile and Publish Meeting Materials	1,200	300	300	300	300	1,200	-	
Attend Audit and Compliance Meetings	320	80	80	80	80	320	-	
Prepare Committee Report and Meeting Minutes	320	80	80	80	80	320	-	
ONGOING ACTIVITIES								
Risk Monitoring Activities								
Attend Board and other Committee Meetings	680	170	170	170	170	680	-	
Attend Executive Team Meetings (DEC, Roadmap, C-suite)	400	100	100	100	100	400	-	
Monitor and Review Professional Literature	360	90	90	90	90	360	-	
Participate in Professional Organizations (APPFA, IIA, ISACA, Tableau User Groups)	360	90	90	90	90	360	-	
Other Administrative Activities								
Continuing Professional Education	1,440	360	360	360	360	1,440	-	
Continuing Professional Education Administration	600	150	150	150	150	600	-	
External Reporting and Other Interactions (OSIG/VITA)	40	10	10	10	10	40	-	
Internal Audit Staff Meetings and Mentoring	1,200	300	300	300	300	1,200	-	
Manage Budget, Departmental Files, SPCC, and Purchasing	400	100	100	100	100	400	-	
Participate in VRS Events/Committees	600	150	150	150	150	600	-	
Performance Standards and Evaluations	240	60	60	60	60	240	-	
OTHER TIME								
Annual Leave	3,000	900	850	975	950	3,675	675	Adjusted to reflect actual staff leave trends given tenure.
Holidays	2,496	696	648	696	696	2,736	240	Adjusted to reflect adjustments to state holidays.
Other Leave (Sick, Personal, Volunteer, etc)	2,640	850	660	750	750	3,010	370	Adjusted to reflect actual staff leave trends given tenure
Unplanned Hours	4,524	1,229	1,612	1,489	1,499	5,829	1,305	Adjusted based on other adjustments and to accommodate certain strategic initiatives
TOTAL TIME	49,920	12,480	12,480	12,480	12,480	49,920		

Legend - See explanatory notes provided in the "Comments" column.

- Project complete.
- Project "In Progress" at fiscal year end. Will require carry over hours in the next annual plan to be completed.
- Project deferred.
- Proposed project hours adjusted.

Other Notes:

⁽¹⁾ These approved projects are subject to VITA's mandated 3-year audit cycle. Therefore, projects scheduled in FY 2021 will be repeated in FY 2024, unless their VITA reported risk assessment is changed during the annual IT risk assessment update process.

Acronyms not Described Elsewhere:

- APA - Auditor of Public Accounts
- APPFA - Association of Public Pension Fund Auditors
- ARFUS - Audit Recommendation Follow-Up System
- C-suite - Chief Executives for VRS, including the Executive Director, Chief Investment Officer and Internal Audit Director
- DEC - Director's Executive Committee
- IIA - Institute of Internal Auditors
- ISACA - Information Systems Audit and Control Association
- IT - Information Technology
- myVRS - web-based portal for members developed through the Modernization program
- OSIG - Office of the State Inspector General
- Roadmap - program management tool used by VRS management to monitor critical organizational activities
- SPCC - Small Purchase Charge Card
- VITA - Virginia IT Agency
- VNAV - myVRS Navigator, administrative system developed through the Modernization program

Internal Audit Proposed FY 2024 Annual Plan



Proposed Plan	1-2
Explanatory Notes and Acronyms	3

Approved Projects	Original FY 2024 Budget	FY 2023 Plan Carry Over	Other Proposed Changes	Proposed FY 2024 Plan
RISK BASED PROJECTS				
Carry Over from Prior Annual Plan ⁽¹⁾				
Human Resources, Internal Payroll and Leave Administration	-	250		250
Investment Decision Systems Review	-	600		600
Logical and Physical Access Review	-	150		150
VRS Infrastructure Review ⁽⁶⁾	***	100		100
Investments				
Global Public Equity Program	600			600
Investment Balances, Performance Reporting and Investment Manager Compensation	750			750
Benefits				
Long-term Care ⁽³⁾	400		(400)	-
Member and Employer Contributions	700			700
Purchase of Prior Service ⁽⁴⁾	700		(400)	300
Refunds	600			600
Operations				
Procurement and Contract Management (Administration and Investments) ⁽⁵⁾	600		(600)	-
Information Technology				
Conformance of VRS Information Security Program with VITA Standards ⁽⁶⁾	150		(150)	-
Hosted System Review - Administration and Investments ⁽⁷⁾	700		(500)	200
VNAV and Related Systems Review ⁽⁷⁾	600		(600)	-
OTHER AUDIT REPORTING AND SUPPORT				
Other Reporting				
Audit Quality Assurance Improvement Program	150		550	700
Audit Quality Assurance Improvement Program - External	10			10
Audit Recommendation Follow-Up System Annual Review	150			150
Audit Recommendation Follow-Up System Quarterly Monitoring	25			25
Report on Fraud, Waste and Abuse Hotline Cases	75			75
Review of Investment Incentive Compensation Plan	75			75
Review Results of Agency Performance Outcomes (APOs)	75			75
Verification of Cost of Living Adjustments (COLAs)	20			20

Approved Projects	Original FY 2024 Budget	FY 2023 Plan Carry Over	Other Proposed Changes	Proposed FY 2024 Plan
OTHER AUDIT REPORTING AND SUPPORT, Continued				
Audit Support				
Coordination with the APA	40			40
Data Analytics and Support	900			900
Develop and Update Annual and Long-Range Plans	225			225
Monitor Annual and Long-Range Plan Progress	100			100
Audit and Compliance Committee Support				
Review, Compile and Publish Meeting Materials	300			300
Attend Audit and Compliance Meetings	80			80
Prepare Committee Report and Meeting Minutes	80			80
ONGOING ACTIVITIES				
Risk Monitoring Activities				
Attend Board and other Committee Meetings	170			170
Attend Executive Team Meetings (DEC, Roadmap, C-suite)	100			100
Monitor and Review Professional Literature	90			90
Participate in Professional Organizations (APPFA, IIA, ISACA, Tableau User Groups)	90			90
Other Administrative Activities				
Continuing Professional Education	360			360
Continuing Professional Education Administration	150			150
External Reporting and Other Interactions (OSIG/VITA)	10			10
Internal Audit Staff Meetings and Mentoring	300			300
Manage Budget, Departmental Files, SPCC and Purchasing	100			100
Participate in VRS Events/Committees	150			150
Performance Standards and Evaluations	60			60
OTHER TIME				
Annual Leave ⁽⁸⁾	800		150	950
Holidays ⁽⁹⁾	600		96	696
Other Leave (Sick, Personal, Volunteer, etc) ⁽⁸⁾	660		150	810
Unplanned Hours ⁽¹⁰⁾	735		604	1,339
TOTAL TIME	12,480	1,100	(1,100)	12,480

Notes:

- (1) Due to unforeseen circumstances impacting the timing of work, certain audit projects will initiate in one fiscal year and be reported out in the next fiscal year. These projects are identified as a part of planning for the upcoming fiscal year annual audit plan and their impact is considered when determining the extent of available resources.
- (2) This project will be completed using information technology staff augmentation resources approved in the FY2023 budget. The included hours acknowledge procurement and supervisory responsibilities necessary to support this initiative.
- (3) As noted in the FY 2021 – 2024 Long-Range Plan Progress report, this project is being deferred for consideration in a later period as the risk profile for the audit area has changed.
- (4) As noted in the FY 2021 – 2024 Long-Range Plan Progress report, this project will be initiated later in the fiscal year to support competing operational priorities, resulting in the carry over of the project into the next long-range cycle.
- (5) Deferring this project for consideration in a later period given ongoing agency initiatives/enhancements in this area.
- (6) This routine project which provides support for the other information technology projects is being deferred for consideration in the next long-range cycle given changes to VRS Information Security Program and pending changes to VITA’s standards. For FY2024 Internal Audit will continue to achieve the objectives of this audit through other means during the execution of the IT related projects and objectives.
- (7) These projects are required to be repeated on a 3-year cycle based on the last report. Due to the timing of the previous project their timing is being adjusted.
- (8) Adjusted to reflect actual staff leave trends given tenure.
- (9) Adjusted to reflect known holidays on the Department of Human Resources 2023 and 2024 calendars for state employees.
- (10) Proposed adjustments in unplanned hours to accommodate modifications to planned projects and other strategic initiatives.

Acronyms not Described Elsewhere:

APPFA	Association of Public Pension Fund Auditors
C-suite	Chief Executives for VRS, including the Executive Director, Chief Investment Officer and Internal Audit Director
DEC	Director's Executive Committee
IIA	Institute of Internal Auditors
ISACA	Information Systems Audit and Control Association
myVRS	Web-based portal for members developed through the Modernization Program
OSIG	Office of the State Inspector General
Roadmap	Program management tool used by VRS management to monitor critical organizational activities
SPCC	Small Purchase Charge Card
VITA	Virginia IT Agency
VNAV	myVRS Navigator, administrative system developed through the Modernization Program

Approve FY 2024 Annual Audit Plan.

Requested Action

The VRS Board of Trustees approves the proposed FY 2024 Annual Audit Plan.

Description/Background

The Audit Director has developed a comprehensive risk assessment process to identify and prioritize the work of the Internal Audit Department in line with organizational and operational risk priorities of the Board of Trustees and VRS management. The process is applied against a universe of potential audit projects within the limitations created by the available audit resources and results in the creation of a Long-Range four-year audit plan.

Annually the Audit Director looks to the guidance provided by the Long-Range plan and develops the Annual Audit plan. FY 2024 is the fourth and final year in the Long-Range plan, as a result certain adjustments have been proposed based on the changing risk environment within the organization.

Rationale for Requested Action

The proposed Annual Audit Plan, derived from the approved Long-Range plan, is brought forward annually for Board consideration and approval, ensuring the work of the Internal Audit Department remains in alignment with organizational and operational risk priorities.

Authority for Requested Action

Section V.C.6 of the VRS Board of Trustees' Governance Policy delegates the responsibility of developing a comprehensive annual audit plan to the Audit Director and providing that plan to the Audit and Compliance Committee and the Board of Trustees for review and approval.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Miscellaneous Updates

Report of Alleged Fraud, Waste and Abuse Hotline Cases

**For Complaints Received During the Period
May 1, 2023 through July 31, 2023**

SUMMARY OF CASES REVIEWED AND CLOSED

During the period May 1, 2023 through July 31, 2023, we did not receive any cases of potential fraud, waste and abuse from the Office of the State Inspector General or other sources.

Background

Fraud, Waste and Abuse relating to VRS can be comprised of any number of concerns. Such items can be reported to VRS' Internal Audit Department directly or through the Office of the State Inspector General (OSIG) State Employee Fraud, Waste and Abuse Hotline. (A majority of complaints are received through OSIG.)

All matters that relate to Fraud, Waste and/or Abuse reported are reviewed to determine the proper protocol for investigation.

Committee Reporting

Cases of a serious and/or significant nature will be reported to the VRS Audit and Compliance Committee immediately. At a minimum, a summary of all Hotline cases will be reported to the Audit and Compliance Committee on a quarterly basis.

Retention

Hardcopy documents, including handwritten notes, are stored in a secure location until the case is closed, upon which they are shredded. Electronic files are stored on Internal Audit's secured drive. Documentation containing case details are labeled "**CONFIDENTIAL – STATE FRAUD, WASTE AND ABUSE HOTLINE DOCUMENTS**" and sensitive items are labeled FOIA Exempt. As appropriate, files are disposed of in accordance with the Library of Virginia's retention policy.

FRAUD, WASTE AND ABUSE CASE MANAGEMENT

PROCESSING OF COMPLAINTS

When received, the Audit Director and Hotline Auditor perform a preliminary review of the complaint. After initial discussion, the Hotline Auditor determines whether a formal response is required by OSIG (cases referred by OSIG may or may not require a formal response, depending on the nature of the complaint) and adds the case to Internal Audit's Hotline Tracking System.

The Hotline Auditor sets up a case file on Internal Audit's secured and restricted drive to maintain confidentiality. The Hotline Auditor then evaluates the case details and may review information available in VRS' systems to obtain further details about the subject of the complaint. Additionally, the Hotline Auditor may forward the details of the case to other VRS personnel for review. The Hotline Auditor also notifies the VRS Director of the case.

Complaints regarding disability benefits constitute the large majority of the Hotline cases received by VRS. The Hotline Auditor will meet with appropriate VRS staff, as necessary, to discuss details of the case in order for all parties to proceed forward with their portion of the investigation. Complaints forwarded to others are monitored for resolution. Actions and determinations for cases are reviewed for reasonableness by the Hotline Auditor. Once a determination of appropriate action has occurred, such action is documented in the Internal Audit case file and on the Hotline Tracking System. The Internal Audit Director is apprised of all actions and determinations.

For other complaints, such as internal fraud, waste or abuse (examples could include abuses of various types of leave, teleworking policies, employee theft, etc.), the Hotline Auditor investigates the allegation and obtains supporting documentation from management, as needed. If a determination is made that there is a reasonable possibility of fraud, waste or abuse, management is notified of the allegation by the Audit Director and given a reasonable timeframe in which to report back to the Audit Director any actions taken regarding the allegation. The Audit Director determines the reasonableness of such action, reports the actions and resolution of the complaint to the Hotline Auditor who documents the results in the case file and on the Hotline Tracking System.

All investigation results are reported to the VRS Director and members of the VRS Audit and Compliance Committee once a case is resolved, regardless of the outcome.



Patricia S. Bishop
Director

MEMORANDUM

To: Jennifer P. Schreck, Internal Audit Director
From: Patricia S. Bishop, Director 
Date: September 12, 2023
Subject: Summary of Travel Related Expenses

I am attaching the following:

1. Summary of Travel Related Expenses Paid During the Quarter of and Fiscal Year-to-Date Through June 30, 2023.
2. Summary of Other Sponsored Travel Related Expenses Paid During the Quarter of and Fiscal Year-to-Date Through June 30, 2023. **There was no reportable Other Sponsored Travel Related Expenses for the period.**
3. Detail of Travel Related Expenses Paid During the Quarter of and Fiscal Year-to-Date Through June 30, 2023.
4. Record of Attendance and Per Diems for the Quarter Ended June 30, 2023.

This information should be shared with the Audit & Compliance Committee.

If you have any questions, please do not hesitate to ask.

PSB/lbk

Attachments

Summary of Travel Related Expenses
Virginia Retirement System
Board/Committee Members and Selected VRS Staff

Fiscal Year-To-Date **Q4 2023**

Traveler	Current Quarter Expenses												Fiscal Year-To-Date Expenses				
	Total Travel			Out-of-State-Travel									Total Travel			Out-of-State-Travel	
	Sponsor Paid	VRS Paid	Total	# Trips	Cost	Travel reasons								Sponsor Paid	VRS Paid	Total	# Trips
AM						BD	CF	DD	MM	SV	TR						
Andrews, Allen	-	\$293.44	\$293.44	-	-	-	-	-	-	-	-	-	-	\$1,883.72	\$1,883.72	-	-
Beasley, Michael	-	\$1,032.96	\$1,032.96	-	-	-	-	-	-	-	-	-	-	\$3,326.00	\$3,326.00	-	-
Bell II, John	-	\$770.28	\$770.28	-	-	-	-	-	-	-	-	-	-	\$2,744.64	\$2,744.64	-	-
Deo, Ravindra	-	\$282.04	\$282.04	-	-	-	-	-	-	-	-	-	-	\$561.54	\$561.54	-	-
Disharoon, Michael	-	\$576.40	\$576.40	-	-	-	-	-	-	-	-	-	-	\$1,890.12	\$1,890.12	-	-
Garrett, William	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,886.89	\$1,886.89	-	-
Harris, Christopher	-	\$22.27	\$22.27	-	-	-	-	-	-	-	-	-	-	\$22.27	\$22.27	-	-
Hood, Jessica	-	\$1,868.59	\$1,868.59	-	-	-	-	-	-	-	-	-	-	\$1,868.59	\$1,868.59	-	-
Irvin, Shannon	-	\$161.13	\$161.13	-	-	-	-	-	-	-	-	-	-	\$468.63	\$468.63	-	-
Kochard, Lawrence	-	\$155.04	\$155.04	-	-	-	-	-	-	-	-	-	-	\$155.04	\$155.04	-	-
Lewis, Wilbert	-	\$481.31	\$481.31	-	-	-	-	-	-	-	-	-	-	\$1,773.40	\$1,773.40	-	-
Montgomery, Joseph	-	\$293.44	\$293.44	-	-	-	-	-	-	-	-	-	-	\$868.02	\$868.02	-	-
Muralidhar, Arun	-	\$200.92	\$200.92	-	-	-	-	-	-	-	-	-	-	\$522.51	\$522.51	-	-
Seward, Troilen	-	-	-	-	-	-	-	-	-	-	-	-	-	\$168.75	\$168.75	-	-
Bishop, Patricia	\$1,341.03	\$2,675.50	\$4,016.53	2	\$4,016.53	1	-	-	-	-	1	-	\$3,136.08	\$13,163.46	\$16,299.54	5	\$15,071.90
Chenault, Jeanne	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,009.94	\$3,009.94	1	\$2,865.08

Travel Reasons Legend			
AM	Advisory/Assoc. Meeting	MM	Manager Meeting
BD	Board Related	SV	Site Visit
CF	Conference	TR	Training
DD	Due Diligence		

Summary of Travel Related Expenses
Virginia Retirement System
Board/Committee Members and Selected VRS Staff

Fiscal Year-To-Date **Q4 2023**

Traveler	Current Quarter Expenses												Fiscal Year-To-Date Expenses				
	Total Travel			Out-of-State-Travel									Total Travel			Out-of-State-Travel	
	Sponsor Paid	VRS Paid	Total	# Trips	Cost	Travel reasons								Sponsor Paid	VRS Paid	Total	# Trips
AM						BD	CF	DD	MM	SV	TR						
Cooper, Michael	-	-	-	-	-	-	-	-	-	-	-	-	-	\$226.40	\$226.40	1	\$226.40
Faison, Barry	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,282.58	\$2,282.58	1	\$2,282.58
Irving Jr, Robert	-	\$855.53	\$855.53	1	\$855.53	-	-	-	-	1	-	-	-	\$855.53	\$855.53	1	\$855.53
Junkin, Andrew	-	\$9,107.76	\$9,107.76	4	\$9,107.76	-	-	4	-	-	-	-	-	\$10,719.44	\$10,719.44	5	\$10,056.39
Schreck, Jennifer	-	\$2,787.36	\$2,787.36	2	\$2,787.36	-	-	1	-	-	1	-	-	\$4,819.65	\$4,819.65	3	\$4,819.65
Weldon, Leslie	-	\$2,048.89	\$2,048.89	1	\$2,048.89	-	-	1	-	-	-	-	-	\$2,048.89	\$2,048.89	1	\$2,048.89
Adelaar, Stephen	-	\$9,768.03	\$9,768.03	1	\$9,768.03	-	-	-	-	1	-	-	-	\$11,059.63	\$11,059.63	2	\$10,889.69
Alouf, John	\$3,617.39	\$2,882.41	\$6,499.80	5	\$6,499.80	2	-	-	2	2	-	-	\$30,711.46	\$5,127.42	\$35,838.88	13	\$35,838.88
Apte, Advait	-	\$1,071.77	\$1,071.77	1	\$1,071.77	-	-	1	-	-	-	-	-	\$2,531.74	\$2,531.74	2	\$2,531.74
Ball, Daniel	-	\$466.13	\$466.13	-	-	-	-	-	-	-	-	-	-	\$4,952.79	\$4,952.79	2	\$2,696.50
Bennett, Matthew	-	\$1,927.23	\$1,927.23	1	\$1,927.23	-	-	-	1	-	-	-	\$8,494.94	\$4,489.85	\$12,984.79	2	\$12,984.79
Billingslea, Erica	-	\$1,717.94	\$1,717.94	1	\$1,717.94	-	-	1	-	-	-	-	\$3,693.94	\$6,797.22	\$10,491.16	5	\$10,491.16
Bliss, Kevin	-	\$4,712.55	\$4,712.55	4	\$4,712.55	-	-	3	1	-	-	-	\$739.32	\$7,897.64	\$8,636.96	8	\$8,636.96
Carlson, Ryan	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,362.07	\$4,362.07	1	\$4,362.07
Chang, Warren	\$6,894.18	\$1,338.61	\$8,232.79	5	\$8,232.79	4	-	-	2	4	-	-	\$32,866.23	\$3,365.85	\$36,232.08	12	\$36,232.08
Coleman, Thomas	\$4,409.55	\$10,706.35	\$15,115.90	3	\$15,115.90	2	-	-	1	1	-	-	\$5,533.04	\$14,709.12	\$20,242.16	6	\$19,103.67
Corsello, Perry	\$1,386.24	\$248.79	\$1,635.03	1	\$1,635.03	1	-	-	-	-	-	-	\$13,048.39	\$344.63	\$13,393.02	6	\$13,393.02
Desai, Michael	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,283.13	\$1,283.13	1	\$1,283.13

Travel Reasons Legend			
AM	Advisory/Assoc. Meeting	MM	Manager Meeting
BD	Board Related	SV	Site Visit
CF	Conference	TR	Training
DD	Due Diligence		

Summary of Travel Related Expenses
Virginia Retirement System
Board/Committee Members and Selected VRS Staff

Fiscal Year-To-Date **Q4 2023**

Traveler	Current Quarter Expenses												Fiscal Year-To-Date Expenses				
	Total Travel			Out-of-State-Travel									Total Travel			Out-of-State-Travel	
	Sponsor Paid	VRS Paid	Total	# Trips	Cost	Travel reasons								Sponsor Paid	VRS Paid	Total	# Trips
AM						BD	CF	DD	MM	SV	TR						
Fennell, Laurie	-	-	-	-	-	-	-	-	-	-	-	-	-	\$55.00	\$55.00	-	-
Gentry III, William	\$5,762.73	\$2,367.68	\$8,130.41	4	\$8,130.41	4	-	-	-	3	-	-	\$23,653.50	\$5,739.54	\$29,393.04	14	\$29,393.04
Glass, Holly	-	\$1,289.25	\$1,289.25	1	\$1,289.25	-	-	-	1	-	-	-	-	\$1,289.25	\$1,289.25	1	\$1,289.25
Hines, Gregory	-	\$3,284.11	\$3,284.11	2	\$3,284.11	-	-	2	-	-	-	-	-	\$3,284.11	\$3,284.11	2	\$3,284.11
Honrado, Cordell	-	\$1,324.82	\$1,324.82	1	\$1,324.82	-	-	1	-	-	-	-	-	\$2,887.29	\$2,887.29	2	\$2,887.29
Jones, De'Von	\$23,132.57	\$1,102.95	\$24,235.52	8	\$24,235.52	7	-	1	-	7	-	-	\$35,551.09	\$10,440.16	\$45,991.25	15	\$45,991.25
Koutrakos, Kristina	-	\$15,992.30	\$15,992.30	6	\$15,992.30	-	-	4	1	1	-	-	-	\$18,688.99	\$18,688.99	8	\$18,688.99
Lacy, Matthew	-	-	-	-	-	-	-	-	-	-	-	-	-	\$767.86	\$767.86	1	\$767.86
Le, Vu	-	\$4,340.81	\$4,340.81	2	\$4,340.81	-	-	2	-	-	-	-	-	\$14,481.78	\$14,481.78	6	\$14,481.78
Ma, Chung	-	\$12,548.56	\$12,548.56	2	\$12,548.56	-	-	1	-	1	-	-	-	\$19,243.86	\$19,243.86	6	\$17,033.86
Matoua, Katherine	-	\$13,439.50	\$13,439.50	5	\$13,439.50	-	-	3	1	1	-	-	-	\$20,117.45	\$20,117.45	12	\$20,117.45
Maxfield, Moses	-	\$1,402.75	\$1,402.75	1	\$1,402.75	-	-	1	-	-	-	-	-	\$1,402.75	\$1,402.75	1	\$1,402.75
Molla, Kidus	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,514.13	\$3,514.13	1	\$3,514.13
Mulvin, Thomas	\$4,325.25	\$1,670.98	\$5,996.23	3	\$5,996.23	2	-	-	1	2	1	-	\$4,325.25	\$3,166.12	\$7,491.37	5	\$7,491.37
Muniz, Alex	-	\$4,068.56	\$4,068.56	2	\$4,068.56	-	-	2	-	-	-	-	-	\$11,778.88	\$11,778.88	5	\$11,778.88
Murphy, James	\$6,201.06	\$944.68	\$7,145.74	2	\$7,145.74	1	-	-	1	1	-	-	\$24,311.87	\$1,741.28	\$26,053.15	9	\$26,053.15
Noland, Walker	\$2,936.92	\$57.00	\$2,993.92	1	\$2,993.92	1	-	-	-	1	-	-	\$4,483.96	\$1,919.99	\$6,403.95	4	\$5,369.72
Oliff Jr, Bryan	-	-	-	-	-	-	-	-	-	-	-	-	-	\$836.91	\$836.91	1	\$836.91

Travel Reasons Legend			
AM	Advisory/Assoc. Meeting	MM	Manager Meeting
BD	Board Related	SV	Site Visit
CF	Conference	TR	Training
DD	Due Diligence		

Summary of Travel Related Expenses
Virginia Retirement System
Board/Committee Members and Selected VRS Staff

Fiscal Year-To-Date **Q4 2023**

Traveler	Current Quarter Expenses												Fiscal Year-To-Date Expenses					
	Total Travel			Out-of-State-Travel									Total Travel			Out-of-State-Travel		
	Sponsor Paid	VRS Paid	Total	# Trips	Cost	Travel reasons								Sponsor Paid	VRS Paid	Total	# Trips	Cost
AM						BD	CF	DD	MM	SV	TR							
Pugliese, Laura	-	\$4,197.41	\$4,197.41	2	\$4,197.41	-	-	2	-	-	-	-	-	-	\$6,613.65	\$6,613.65	2	\$4,197.41
Rhodes, Garret	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,797.53	\$2,797.53	1	\$2,797.53
Sarki-Hurd, Hajara	\$19,418.48	\$112.25	\$19,530.73	4	\$19,050.28	4	-	-	-	2	-	-	\$33,171.43	\$1,291.80	\$34,463.23	9	\$33,099.66	
Schlussler, Daniel	-	\$5,714.43	\$5,714.43	2	\$5,714.43	-	-	2	-	-	-	-	-	\$10,910.57	\$10,910.57	4	\$10,910.57	
Scott, Michael	-	\$702.44	\$702.44	1	\$702.44	-	-	1	-	-	-	-	-	\$1,122.57	\$1,122.57	2	\$1,122.57	
Tentor, Lawrence	-	\$1,014.01	\$1,014.01	1	\$1,014.01	-	-	1	-	-	-	-	-	\$1,014.01	\$1,014.01	1	\$1,014.01	
Tran, Viet	-	-	-	-	-	-	-	-	-	-	-	-	-	\$968.55	\$968.55	1	\$968.55	
Turner, Korey	-	\$14,203.97	\$14,203.97	3	\$14,203.97	-	-	-	2	1	-	-	-	\$15,352.81	\$15,352.81	4	\$15,352.81	
Voeks III, Robert	\$1,264.67	\$14.41	\$1,279.08	1	\$1,279.08	1	-	-	-	1	-	-	\$11,393.46	\$3,817.14	\$15,210.60	6	\$14,854.25	
Whitlock, Daniel	-	\$3,943.76	\$3,943.76	2	\$3,943.76	-	-	-	2	-	-	-	-	\$3,943.76	\$3,943.76	2	\$3,943.76	
Woodall, Steven	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,809.15	\$3,809.15	3	\$3,809.15	
Zizzo, Nicholas	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,100.15	\$2,100.15	2	\$2,100.15	
Zozulya, Olga	-	\$2,663.65	\$2,663.65	2	\$2,663.65	-	-	1	1	-	-	-	-	\$3,816.63	\$3,816.63	3	\$3,816.63	
Total	\$80,690.07	\$154,852.95	\$235,543.02	90	\$228,458.62	30	-	35	17	30	3	-	\$235,113.96	\$301,100.77	\$536,214.73	211	\$505,038.95	

Travel Reasons Legend			
AM	Advisory/Assoc. Meeting	MM	Manager Meeting
BD	Board Related	SV	Site Visit
CF	Conference	TR	Training
DD	Due Diligence		

Detail of Travel Related Expenses

Virginia Retirement System

Board/Committee Members and Selected VRS Staff

Paid in Q4 2023

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Andrews, Allen	03/29/2023	03/29/2023	Richmond, VA		Attended a VRS Administration, Finance and Talent Management Committee meeting and a Audit and Compliance Committee meeting.	-	\$146.72	\$146.72
Andrews, Allen	04/20/2023	04/20/2023	Richmond, VA		Attended a VRS Administration, Finance and Talent Management Committee meeting and Board of Trustees meeting.	-	\$146.72	\$146.72
Beasley, Michael	04/11/2023	04/12/2023	Richmond, VA		Investment Advisory Committee Meeting - Wednesday, April 12, 2023	-	\$1,032.96	\$1,032.96
Bell II, John	03/30/2023	03/30/2023	Richmond, VA		Attended a VRS Defined Contribution Plans Advisory Committee meeting.	-	\$256.76	\$256.76
Bell II, John	06/01/2023	06/01/2023	Richmond, VA		Attended a VRS Defined Contribution Plans Advisory Committee meeting.	-	\$256.76	\$256.76
Bell II, John	06/15/2023	06/15/2023	Richmond, VA		Attended a VRS Defined Contribution Plans Advisory Committee meeting.	-	\$256.76	\$256.76
Deo, Ravindra	03/30/2023	03/30/2023	Richmond, VA		DCPAC	-	\$141.02	\$141.02
Deo, Ravindra	06/01/2023	06/01/2023	Richmond, VA		DCPAC	-	\$141.02	\$141.02
Disharoon, Michael	03/29/2023	03/29/2023	Richmond, VA		Attended a VRS Administration, Finance and Talent Management Committee meeting and a Audit and Compliance Committee meeting.	-	\$144.10	\$144.10
Disharoon, Michael	04/12/2023	04/12/2023	Richmond, VA		Attended a VRS Investment Advisory Committee meeting.	-	\$144.10	\$144.10

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Disharoon, Michael	04/20/2023	04/20/2023	Richmond, VA	Attended a VRS Administration, Finance and Talent Management Committee meeting and Board of Trustees meeting.	-	\$144.10	\$144.10
Disharoon, Michael	06/13/2023	06/13/2023	Richmond, VA	Attended an Administration, Finance and Talent Management Committee meeting.	-	\$144.10	\$144.10
Harris, Christopher	06/01/2023	06/01/2023	Richmond, VA	DCPAC	-	\$22.27	\$22.27
Hood, Jessica	03/21/2023	03/22/2023	Richmond, VA	Attended the VRS Board of Trustees retreat.	-	\$459.82	\$459.82
Hood, Jessica	04/20/2023	04/20/2023	Richmond, VA	Attended a VRS Administration, Finance and Talent Management Committee meeting and a Board of Trustees meeting.	-	\$672.44	\$672.44
Hood, Jessica	06/14/2023	06/15/2023	Richmond, VA	Attended a Benefits and Actuarial Committee meeting and a Board of Trustees meeting.	-	\$736.33	\$736.33
Irvin, Shannon	03/30/2023	03/30/2023	Richmond, VA	DCPAC	-	\$161.13	\$161.13
Kochard, Lawrence	04/11/2023	04/12/2023	Richmond, Virginia	Investment Advisory Committee (IAC) Meeting - Wednesday, April 12, 2023	-	\$155.04	\$155.04
Lewis, Wilbert	04/11/2023	04/12/2023	Richmond, Virginia	Investment Advisory Committee Meeting - Wednesday, April 12, 2023	-	\$481.31	\$481.31
Montgomery, Joseph	03/29/2023	03/29/2023	Richmond, VA	Attended a VRS Administration, Finance and Talent Management Committee meeting and a Audit and Compliance Committee meeting.	-	\$73.36	\$73.36
Montgomery, Joseph	04/12/2023	04/12/2023	Richmond, VA	Attended a VRS Investment Advisory Committee meeting.	-	\$73.36	\$73.36

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Montgomery, Joseph	04/20/2023	04/20/2023	Richmond, VA		Attended a VRS Administration, Finance and Talent Management Committee meeting and Board of Trustees meeting.	-	\$73.36	\$73.36
Montgomery, Joseph	06/13/2023	06/13/2023	Richmond, VA		Attended an Administration, Finance and Talent Management Committee meeting and a Audit and Compliance Committee meeting.	-	\$73.36	\$73.36
Muralidhar, Arun	03/22/2023	03/22/2023	Richmond, VA		Board Retreat	-	\$200.92	\$200.92
Bishop, Patricia	04/20/2023	04/24/2023	Key West, FL	National Association of State Retirement Administrators	Attended the spring National Association State Retirement Administrators (NASRA) Executive Committee meeting.	\$1,341.03	\$1,622.92	\$2,963.95
Bishop, Patricia	05/22/2023	05/23/2023	Detroit, MI		Attended a Managed Medical Review meeting.	-	\$1,052.58	\$1,052.58
Irving Jr, Robert	05/22/2023	05/23/2023	Detroit MI		Manager's meeting with TPA and other senior operations managers from MMRO and VRS Director	-	\$855.53	\$855.53
Junkin, Andrew	04/17/2023	04/19/2023	San Francisco, California		Pension Bridge Annual Conference	-	\$2,554.74	\$2,554.74
Junkin, Andrew	04/29/2023	05/03/2023	Beverly Hills, California		Milken Institute Global Conference, April 29-May 3, 2023	-	\$2,862.75	\$2,862.75
Junkin, Andrew	05/22/2023	05/24/2023	New York, NY		2023 GCM Grosvenor's Consortium	-	\$1,216.07	\$1,216.07
Junkin, Andrew	06/04/2023	06/07/2023	Montreal, Canada		ICPM 2023 June Discussion Forum, Montreal, QC, Canada	-	\$2,474.20	\$2,474.20
Schreck, Jennifer	03/29/2023	03/31/2023	Boston, MA		On-site Internal Audit review of BNY Mellon	-	\$1,136.61	\$1,136.61

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Schreck, Jennifer	06/06/2023	06/09/2023	Madison, WI	Attended the Association of Public Pension Fund Auditors Conference	-	\$1,650.75	\$1,650.75
Weldon, Leslie	05/21/2023	05/24/2023	Portland, OR	Annual GFOA conference in Portland, OR	-	\$2,048.89	\$2,048.89
Adelaar, Stephen	05/14/2023	05/18/2023	London, UK	Manager meetings with Theleme, CET Partners, Coatue, Lansdowne, and Arisaig. Prospective manager meetings with Rothko and Gladstone Mgmt.	-	\$9,768.03	\$9,768.03
Alouf, John	03/22/2023	03/23/2023	New York, NY	Due Diligence/Site visit with Natural Gas Partners (NGP) in Dallas,	-	\$906.87	\$906.87
Alouf, John	04/19/2023	04/19/2023	New York, NY	Travel to New York, NY to attend the General Atlantic 2023 Investor meeting	-	\$504.39	\$504.39
Alouf, John	04/25/2023	04/26/2023	New York, NY	Odyssey Annual LP meeting	-	\$939.29	\$939.29
Alouf, John	05/16/2023	05/16/2023	Stamford, CT	Sponsored travel for Olympus Partners Annual Meeting and LPAC	-	\$507.45	\$507.45
Alouf, John	05/23/2023	05/25/2023	San Francisco, CA	Hellman and Friedman Travel to San Francisco, CA to attend Hellman and Friedman's Annual Meeting and LPACs. / Sponsored Travel	\$3,617.39	\$24.41	\$3,641.80
Apte, Advait	05/01/2023	05/03/2023	Washington, DC.	Advait Apte Asset and Risk Allocation Conference, May 1-3, 2023, in Washington, DC. The traveler will be driving to the conference location.	-	\$1,071.77	\$1,071.77
Ball, Daniel	04/11/2023	04/12/2023	Washington, DC	Travel to Washington, DC to attend the Artemis Annual meeting	-	\$466.13	\$466.13

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Bennett, Matthew	04/27/2023	04/30/2023	New York		Due diligence meetings with Varde, Schrodgers, Anchorage, TCP, ICG, and HPS. Prospective manager meeting with Park Square.	-	\$1,927.23	\$1,927.23
Billingslea, Erica	05/23/2023	05/26/2023	New York		Attended the Oak Hill Advisors Investor Conference. Annual due diligence meetings with OHA, H.I.G. Capital, KKR - RECOP II, Sp. Sits II, and Direct Lending.	-	\$1,717.94	\$1,717.94
Bliss, Kevin	03/28/2023	03/30/2023	New York		Attended the CreditFlux CLO Investor Conference. Prospective manager due diligence meetings with Cerberus Mortgage Credit and ACORE.	-	\$1,519.22	\$1,519.22
Bliss, Kevin	05/22/2023	05/24/2023	New York		Attend the Diverse and Emerging Managers Conference - Consortium 2023. Met with prospective managers, 400 Capital and Atalaya Capital.	-	\$1,282.38	\$1,282.38
Bliss, Kevin	05/30/2023	05/31/2023	Toronto		Annual due diligence meeting with Whitehorse Liquidity Partners Fund IV, V, and V Co-Invest.	-	\$1,356.95	\$1,356.95
Bliss, Kevin	06/05/2023	06/05/2023	New York		Attended the Apollo Investor Meeting.	-	\$554.00	\$554.00
Chang, Warren	04/24/2023	04/25/2023	New York, NY		Travel to New York, NY for Due Diligence with LS Power	-	\$1,020.90	\$1,020.90
Chang, Warren	05/06/2023	05/09/2023	Miami, FL	Stonepeak	Travel to Miami, FL to attend Stonepeak's Mid-Year Update and LPAC meetings / Sponsored travel.	\$1,438.49	\$181.51	\$1,620.00
Chang, Warren	05/15/2023	05/18/2023	New York, NY	Global Infrastructure Partners	Travel to New York, NY to attend the GIP Annual Meeting and LPAC	\$2,854.50	\$40.00	\$2,894.50

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Chang, Warren	05/22/2023	05/24/2023	Boston, MA	Antin	Travel to Boston for Antin Infrastructure LPAC meetings / Sponsored travel	\$1,714.14	\$40.00	\$1,754.14
Chang, Warren	05/24/2023	05/25/2023	New York, NY	Blackrock	Travel to New York, NY to attend Blackrock's Investor meetings and LPAC.	\$887.05	\$56.20	\$943.25
Coleman, Thomas	05/15/2023	05/17/2023	Dallas, TX	Petrocap Partners	Sponsored travel to Dallas, TX to attend Petrocap Partner's LPAC meetings	\$2,396.23	\$58.29	\$2,454.52
Coleman, Thomas	05/22/2023	05/25/2023	New York, NY and London, England		Travel to York, NY for due diligence with Meadow Real Estate/ also dd meetings with Resource Capital Mining while in London	-	\$10,447.65	\$10,447.65
Coleman, Thomas	06/06/2023	06/08/2023	Los Angeles, CA	Fortress	Travel to Los Angeles to attend the Fortress Real Estate Conference and LPAC meetings/ Sponsored travel	\$2,013.32	\$200.41	\$2,213.73
Corsello, Perry	05/22/2023	05/24/2023	New York	Ares Mgmt.	Attend the Ares Global Direct Lending Annual Meeting and Advisory Board meeting for Ares PCS I, PCS II, and ACE V. Prospective manager meeting with Evercore. Update meeting with Sixth Street Partners. **Ares - Sponsored Travel	\$1,386.24	\$248.79	\$1,635.03
Gentry III, William	04/25/2023	04/27/2023	Chicago, IL and New York, NY	Centerbridge	Travel to Chicago for GTCR Annual meeting; and then sponsored travel to New York, NY for Centerbridge Limited partners Meeting and LPAC.	\$437.00	\$1,412.34	\$1,849.34
Gentry III, William	05/03/2023	05/06/2023	Pebble Beach, CA	Leonard Green	Travel to Pebble Beach, CA to attend Annual Meeting and LPAC for Leonard Green	\$2,237.99	\$291.08	\$2,529.07

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Gentry III, William	05/22/2023	05/25/2023	Boston, MA	Bain Capital; Summit Partners	Travel to Boston, MA for a Manager Meeting with TA (not sponsored), Spectrum Equity meetings and LPAC, and Bain Capital (sponsored travel).	\$2,076.16	\$652.03	\$2,728.19
Gentry III, William	06/13/2023	06/14/2023	Chicago, IL	Madison Dearborn	Travel to Chicago, IL for Madison Dearborn's Mid-Year Advisory Committee meeting	\$1,011.58	\$12.23	\$1,023.81
Glass, Holly	05/01/2023	05/02/2023	Seattle, WA		Due diligence meeting with Taiyo. Update meeting with Russell Investments which was cancelled due to flight delays.	-	\$1,289.25	\$1,289.25
Hines, Gregory	05/08/2023	05/10/2023	New York, NY		Man, Group Unconventional Investing Conference 2023 in New York, NY Gregory Hines. May 8-10, 2023.	-	\$1,592.67	\$1,592.67
Hines, Gregory	06/13/2023	06/16/2023	New York, NY		BNP Conference, Saba Capital in-person meeting, and Soc Gen Conference for Greg Hines June 13th-16th, 2023 in New York, NY.	-	\$1,691.44	\$1,691.44
Honrado, Cordell	05/17/2023	05/18/2023	Waldor-Astoria, Chicago		2023 Investment Data and Analytics Symposium, Dane Honrado, May 17th-18th, 2023. Waldorf Astoria, Chicago.	-	\$1,324.82	\$1,324.82
Jones, De'Von	04/18/2023	04/19/2023	New York, NY	General Atlantic	Travel to New York, NY to attend General Atlantic's Annual Investor Seminar and LPAC meeting/sponsored travel	\$1,085.84	\$14.41	\$1,100.25
Jones, De'Von	04/26/2023	04/28/2023	New York, NY	Vista Equity Partners	Travel to New York, NY to attend Vista Equity Partners LPAC meeting/ Sponsored travel	\$2,110.60	\$14.41	\$2,125.01
Jones, De'Von	05/03/2023	05/04/2023	Greenwich, CT	Littlejohn	Travel to Greenwich, CY to attend Littlejohn's Annual meeting and LPAC / sponsored travel	\$940.50	\$22.50	\$963.00
Jones, De'Von	05/09/2023	05/11/2023	New York, NY	Apollo Global	Travel to New York, NY to attend Apollo's Equity investor Meeting and LPACs / Sponsored travel	\$2,236.88	\$24.90	\$2,261.78

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Jones, De'Von	05/16/2023	05/18/2023	Los Angeles, CA	Clearlake	Travel to Los Angeles, CA to attend the Clearlake Limited Partners Annual Meeting and LPAC / Sponsored travel	\$2,500.71	\$35.41	\$2,536.12
Jones, De'Von	05/23/2023	05/24/2023	New York, NY		Travel to New York, NY to attend Grosvenor's Consortium 2023: Diverse and Emerging Managers Conference	-	\$942.50	\$942.50
Jones, De'Von	06/05/2023	06/07/2023	Dallas, TX and New York, NY	NGP; Stonepoint; Stonepoint Capital	Travel to Dallas, TX for NGP LPAC meetings and to New York, NY for Stonepoint Capital LPAC meetings / BOTH are sponsored travel.	\$3,151.79	\$14.41	\$3,166.20
Jones, De'Von	06/13/2023	06/16/2023	London, England	Nordic Capital	Travel to London to attend Nordic Capital's Annual Investor meeting and LPACs / Sponsored travel	\$11,106.25	\$34.41	\$11,140.66
Koutrakos, Kristina	04/17/2023	04/19/2023	New York		Annual due diligence meetings with BlackRock and JPMorgan in New York, April 17th-19th, 2023 for Kristina Koutrakos.	-	\$1,416.25	\$1,416.25
Koutrakos, Kristina	04/29/2023	05/03/2023	Los Angeles, CA.		Milken Global Conference, April 29, 2023-May 3, 2023, in Los Angeles, CA. for Kristina Koutrakos.	-	\$2,296.26	\$2,296.26
Koutrakos, Kristina	05/01/2023	05/01/2023	Washington, DC.		2023 Economic Measurement Seminar Payment for Kristina Koutrakos. Conference will take place on July 17th-18th.	-	\$465.00	\$465.00
Koutrakos, Kristina	05/16/2023	05/21/2023	England, UK		Manager Meetings for Kristina Koutrakos in London/Heathrow, England, UK May 16th-21st, 2023.	-	\$9,432.77	\$9,432.77
Koutrakos, Kristina	06/04/2023	06/06/2023	Montreal, Canada		2023 June Discussion Forum for ICPM in Montreal Canada, June 4-June 6, 2023, for Kristina Koutrakos.	-	\$1,848.80	\$1,848.80
Koutrakos, Kristina	06/11/2023	06/13/2023	Miami, Florida		Kayo 2023 Private Equity Summit June 11-13th, Miami, Florida. for Kristina Koutrakos. Traveler will be presenting at the conference and all lodging is being provided by Kayo.	-	\$533.22	\$533.22

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Le, Vu	05/30/2002	06/02/2023	New York, NY	Berstein Strategic Decisions Conference	-	\$2,342.91	\$2,342.91
Le, Vu	04/30/2023	05/03/2023	Miami, FL	Q Group Spring Seminar 2023	-	\$1,997.90	\$1,997.90
Ma, Chung	04/26/2023	05/03/2023	Los Angeles, CA.	AIF West Coast Forum April 26-28 Los Angeles, CA. for Chung Ma. Milken Global Conference, April 29, 2023-May 3, 2023, in Los Angeles, CA. for Chung MA. The traveler Chung Ma will be in Los Angeles, CA. for two different conferences. The first one is the AIF West Coast Investors Forum, April 26-28, 2023, and the second one is the Milken Global Conference, April 29, 2023-May 3, 2023.	-	\$3,445.34	\$3,445.34
Ma, Chung	05/16/2023	05/23/2023	England, UK	Manager Meetings for Chung Ma in London/Heathrow, England, UK May 16th-23rd.	-	\$9,103.22	\$9,103.22
Matoua, Katherine	03/28/2023	03/30/2023	Washington, DC.	NABE economic policy conference 3/28-30, 2023 for Katherine Matoua. Washington, DC. Traveler drove to the conference.	-	\$1,001.74	\$1,001.74
Matoua, Katherine	04/17/2023	04/19/2023	New York	Annual due diligence meetings with BlackRock and JPMorgan in New York, April 17th-19th, 2023 for Katherine Matoua.	-	\$1,401.69	\$1,401.69
Matoua, Katherine	04/29/2023	05/04/2023	Los Angeles, CA.	Milken Global Conference, April 29, 2023-May 3, 2023, in Los Angeles, CA. for Katherine Matoua. Katherine Matoua will also be visiting Oaktree for Manager Meetings May 3-4, 2023. Traveler lodged at the hotel May 3-4 for Manager Meetings.	-	\$1,278.55	\$1,278.55
Matoua, Katherine	05/01/2023	05/01/2023	Washington, DC.	2023 Economic Measurement Seminar Payment for Katherine Matoua. Conference will take place on July 17th-18th.	-	\$465.00	\$465.00

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Matoua, Katherine	05/16/2023	05/21/2023	England, UK		Manager Meetings for Katherine Matoua in London/Heathrow, England, UK May 16th-21st, 2023.	-	\$9,292.52	\$9,292.52
Maxfield, Moses	05/08/2023	05/09/2023	New York, NY		Man, Group Unconventional Investing Conference 2023 in New York, NY Moses Maxfield. May 8-9, 2023.	-	\$1,402.75	\$1,402.75
Mulvin, Thomas	04/03/2023	05/05/2023	Las Vegas, NV	Penwood	Sponsored travel to attend Penwood's Advisory Committee meetings.	\$2,638.95	\$55.21	\$2,694.16
Mulvin, Thomas	05/22/2023	05/24/2023	Miami, FL	Blackstone	Travel to Miami, FL to attend Blackstone's Annual Meeting/	\$1,686.30	\$14.41	\$1,700.71
Mulvin, Thomas	06/06/2023	06/08/2023	Spokane, WA		Travel to Spokane, WA for due diligence/property tours with Molpus in Washington and Idaho.	-	\$1,601.36	\$1,601.36
Muniz, Alex	04/11/2023	04/14/2023	Las Vegas, NV		CQA Spring Conference	-	\$1,785.58	\$1,785.58
Muniz, Alex	04/30/2023	05/02/2023	Miami, FL		Travel to Miami, FL to attend the Q Goup Spring Seminar	-	\$2,282.98	\$2,282.98
Murphy, James	03/22/2023	03/23/2023	New York, NY		Due diligence meetings with CVC in New York, NY	-	\$855.27	\$855.27
Murphy, James	05/21/2023	05/25/2023	London, England	Harbourvest Partners	Travel to London to attend the Harbourvest Annual meeting and LPACs / sponsored travel	\$6,201.06	\$89.41	\$6,290.47
Noland, Walker	05/22/2023	05/24/2023	San Francisco, CA	PGIM Real Estate	Travel to San Francisco to attend the PGIM Global Client Conference and PRISA II LPAC/ Sponsored travel	\$2,936.92	\$57.00	\$2,993.92
Pugliese, Laura	05/01/2023	05/07/2023	Orlando, FL		Attend the SVIA Spring Conference and Board of Director's meeting. May 1 - 4, 2023.	-	\$2,990.86	\$2,990.86

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Pugliese, Laura	06/05/2023	06/07/2023	Washington, DC		Attended the DCIIA/SPARK Public Policy Forum	-	\$1,206.55	\$1,206.55
Sarki-Hurd, Hajara	03/15/2023	03/17/2023	Phoenix AZ	LaSalle Investment Mgmt; LaSalle Investment Mgmt.	LaSalle Property fund LPAC meetings / sponsored travel	\$2,258.50	\$14.41	\$2,272.91
Sarki-Hurd, Hajara	04/06/2023	04/07/2023	Dallas, TX	Crow Holdings	Travel to Dallas, TX to attend the Crow Holdings LPAC meetings/sponsored travel	\$1,010.74	\$14.41	\$1,025.15
Sarki-Hurd, Hajara	04/11/2023	04/12/2023	Washington, DC	Artemis; Artemis Real Estate Partners	Travel to Washington DC to attend the Artemis Annual meeting and LPAC / sponsored travel	\$458.44	\$22.01	\$480.45
Sarki-Hurd, Hajara	04/23/2023	04/27/2023	San Diego, CA	Harrison Street	Travel to San Diego to attend Harrison Street's Annual Investor Meeting and LPAC/Sponsored travel	\$4,358.97	\$26.41	\$4,385.38
Sarki-Hurd, Hajara	05/22/2023	05/25/2023	London, England	Tristan Capital	Sponsored travel for Tristan Capital's Annual Meeting and LPAC meetings	\$11,331.83	\$35.01	\$11,366.84
Schlussler, Daniel	05/22/2023	05/25/2023	New York, NY		Travel to New York, NY to attend two conferences: USB Quantitative Investing and Evidence Lab; and Wolfe Research - AI Revolution	-	\$1,744.10	\$1,744.10
Schlussler, Daniel	06/04/2023	06/09/2023	Savanah, GA and New York, NY		This travel will be much different than the requisition as it went from one conference to four conferences - 3 in NYC Travel to Sea Island, GA for the World Investment Forum 6/4 to 6/6 and then to NYC for Barclay's Quantitative Portfolio Strategies, SQA Annual Traders Day, and JP Morgan Quantitative and Derivatives	-	\$3,970.33	\$3,970.33
Scott, Michael	06/06/2023	06/07/2023	Washington, DC		Attended the DCIIA/SPARK Public Policy Forum.	-	\$702.44	\$702.44

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Tentor, Lawrence	05/17/2023	05/18/2023	Chicago, IL		Travel to Chicago, IL to attend the Investment Data Symposium	-	\$1,014.01	\$1,014.01
Turner, Korey	03/28/2023	03/31/2023	California		Travel with Dan Whitlock to Santa Anna, CA for a due diligence meeting with a prospective manager, WCM Management. Travel to San Francisco, CA for an update meeting with Farallon and a due diligence meeting with Jackson Square. Attended the Value Act Investor Forum.	-	\$3,277.08	\$3,277.08
Turner, Korey	05/01/2023	05/02/2023	New York		Travel to New York for due diligence meetings with Select Equity and JP Morgan. Update meetings with Coatue and Eminence.	-	\$1,077.67	\$1,077.67
Turner, Korey	05/14/2023	05/18/2023	London, UK		Manager meetings with Theleme, CET Partners, Coatue, Lansdowne, and Arisaig. Prospective manager meetings with Rothko and Gladstone Mgmt.	-	\$9,849.22	\$9,849.22
Voeks III, Robert	05/24/2023	05/25/2023	Miami, FL	ICV	Travel to Miami, FL to attend the ICV annual Investor's meeting and LPAC / sponsored travel	\$1,264.67	\$14.41	\$1,279.08
Whitlock, Daniel	03/28/2023	03/31/2023	California		Traveled to Santa Ana, CA for a due diligence meeting with a prospective manager, WCM Management. Traveled to San Francisco, CA for an update meeting with Farallon and a due diligence meeting with Jackson Square. Attended the ValueAct Investor Forum. Korey Turner accompanied Dan on this trip.	-	\$3,173.90	\$3,173.90
Whitlock, Daniel	05/01/2023	05/02/2023	New York		Due diligence meetings with Select Equity and JP Morgan. Update meetings with Coatue and Eminence.	-	\$769.86	\$769.86
Zozulya, Olga	03/24/2023	03/29/2023	Santa Ana, CA		Due diligence meeting with prospective manager, WCM Management on March 28.	-	\$1,504.42	\$1,504.42

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Zozulya, Olga	05/02/2023	05/03/2023	Washington, DC	Self-drive to Washington, DC to attend the CFA Institute's Conference, Asset and Risk Allocation: Building Resilient Portfolios for the Future.	-	\$1,159.23	\$1,159.23
Total					\$80,690.07	\$154,852.95	\$235,543.02

VRS BOARD OF TRUSTEES AND COMMITTEES
 RECORD OF ATTENDANCE & PER DIEMS
 FOR 2Q2023

Member	Area	Month Paid:													Total Days Attended	Per Diem Rate	Per Diem Payments			Total
		Apr-23							May-23	Jun-23							Apr	May	June	
		3/29/23	3/29/23	3/30/23	4/12/23	4/20/23	4/20/23	4/20/23	N/A	6/1/23	6/13/23	6/13/23	6/14/23	6/15/23						
A. SCOTT ANDREWS, CHAIR	BOT	X	X	-	X	X	X	X	-	-	X	X	-	X	5	\$ 300.00	\$ 900.00	\$ -	\$ 600.00	\$ 1,500.00
J BRANDON BELL, II	BOT	-	-	X	-	-	-	X	-	X	-	X	X	X	6	300.00	600.00	-	1,200.00	1,800.00
JOHN M. BENNETT	BOT	-	X	X	X	-	X	X	-	X	X	X	X	X	8	300.00	1,200.00	-	1,200.00	2,400.00
MICHAEL P. DISHAROON	BOT	X	-	-	X	X	X	X	-	-	X	-	-	X	5	300.00	900.00	-	600.00	1,500.00
SUSAN GOODEN	BOT	-	-	X	-	-	X	X	-	X	-	-	-	X	4	300.00	600.00	-	600.00	1,200.00
W. BRETT HAYES	BOT	X	X	-	X	X	-	X	-	-	X	X	-	X	5	300.00	900.00	-	600.00	1,500.00
JESSICA L. HOOD	BOT	-	-	-	-	X	X	X	-	-	-	-	X	X	3	300.00	300.00	-	600.00	900.00
JOSEPH W. MONTGOMERY	BOT	X	X	-	X	X	X	X	-	-	X	X	-	-	4	300.00	900.00	-	300.00	1,200.00
LINDSEY PANTELE	BOT	-	-	-	-	-	X	X	-	-	-	-	X	X	3	300.00	300.00	-	600.00	900.00
RIVINDRA DEO	DCPAC	-	-	X	-	-	-	-	-	X	-	-	-	-	2	300.00	300.00	-	300.00	600.00
C. MATT HARRIS	DCPAC	-	-	-	-	-	-	-	-	X	-	-	-	-	1	300.00	-	-	300.00	300.00
SHANNON T. IRVIN	DCPAC	-	-	X	-	-	-	-	-	X	-	-	-	-	2	300.00	300.00	-	300.00	600.00
RICK LARSON	DCPAC	-	-	X	-	-	-	-	-	X	-	-	-	-	2	300.00	300.00	-	300.00	600.00
BRENDA O. MADDEN	DCPAC	-	-	X	-	-	-	-	-	X	-	-	-	-	2	300.00	300.00	-	300.00	600.00
ARUN MURALIDHAR	DCPAC	-	-	X	-	-	-	-	-	X	-	-	-	-	2	300.00	300.00	-	300.00	600.00
DAVID A. WINTER	DCPAC	-	-	X	-	-	-	-	-	X	-	-	-	-	2	300.00	300.00	-	300.00	600.00
MICHAEL R. BEASLEY	IAC	-	-	-	X	-	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
THEODORE ECONOMOU	IAC	-	-	-	X	-	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
PALMER GARSON	IAC	-	-	-	X	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-
THOMAS S.GAYNER	IAC	-	-	-	X	-	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
LAWRENCE E KOCHARD	IAC	-	-	-	X	-	-	X	-	-	-	-	-	-	2	300.00	600.00	-	-	600.00
NANCY G. LEAKE	IAC	-	-	-	X	-	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
WILBERT BRYAN LEWIS	IAC	-	-	-	X	-	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
ROD SMYTH	IAC	-	-	-	X	-	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
WILLIAM H. WEST	IAC	-	-	-	X	-	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
																	\$ 11,100.00	\$ -	\$ 8,400.00	\$ 19,500.00

Number Attending	4	4	9	14	5	7	10	0	10	5	5	4	8	85						
Total Days per Diem Paid (Control Total)	4	1	9	13	5	3	2	0	10	5	1	4	8	65	x \$300				=	19,500.00

X = Present

Audit Reports

Human Resources and Employee Payroll

December 1, 2022 - June 1, 2023

Highlighting VRS Core Values: *Integrity, Teamwork, Accountability* and *Agility* in Action



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Dear Members of the Audit and Compliance Committee,

We have completed audit number 454, “Human Resources and Employee Payroll.” The main purpose of our review was to determine if sufficient controls are in place to support human resources and employee payroll processes and associated controls are operating as expected.

We conducted our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the conclusions based upon our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report was distributed to the VRS Director and members of management for review and comment. As our review did not result in a written recommendation, management did not provide a written response but expressed substantial agreement with our report.

We appreciate the cooperation and assistance of the Human Resources, Finance, Payroll and IT departments throughout this audit.

Respectfully Submitted,

A handwritten signature in black ink that reads 'Jennifer P. Bell Schreck'.

Jennifer P. Bell Schreck, CPA, CISA, PMP
Audit Director

EXECUTIVE SUMMARY

We conducted an examination of VRS' Human Resources and Employee Payroll processes for the period December 1, 2022 through June 1, 2023. Our review determined:

- Key human resources and payroll processes support accurate and valid payments to VRS employees and Board of Trustees members.
- Key human resources processes for distributing leave comply with the VRS Leave Policy.
- Information Technology (IT) processes performed by VRS protect the confidentiality, integrity and availability of key data exchanges among systems supporting human resources and payroll processes.
- Logical access to IT systems for human resources and payroll processes is based on the principle of least privilege, consistent with assigned job responsibilities and supports separation of duties.

In defining the scope of our work, we excluded the evaluation of processes for hiring contractors and other vendor partners, as they will be reviewed during an upcoming examination focused on procurement and contract administration practices. Additional consideration was given to work performed as part of the Logical and Physical Access Review (Report No. 453) and other planned examinations to minimize the duplication of efforts by the IT and Internal Audit departments.

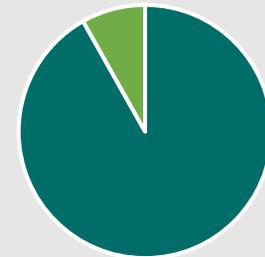
There are no written recommendations resulting from our review; however, we noted opportunities for process enhancements in the Conclusions section.

As acknowledged in the approved fiscal year 2024 agency performance objectives, management is initiating the process to identify and procure a new human resource information system (HRIS). Once implemented, this new system will have a significant impact on the human resources and payroll processes reviewed here.

SNAPSHOT

VRS hires a **workforce** with a **diverse** skill set to **serve** its employers, members, retirees and beneficiaries.

As of June 1, 2023, VRS employs a total of **392** staff, consisting of **360** **salaried** and **32** **wage** positions.



■ Salaried ■ Wage

VRS' **Human Resources** and **Payroll** departments perform processes to **support VRS as an employer** and **its employees**.

AUDIT ASSESSMENT

Sufficient controls are in place to support human resources and employee payroll processes, and overall, associated controls are operating as expected.

Written Recommendations: 0

BACKGROUND

INTRODUCTION

As of 2022, VRS ranks as the 14th largest public or private pension fund in the United States and the 42nd largest in the world, serving more than 778,000 active and inactive members, retirees and beneficiaries. Approximately 832 employers participate in the programs administered by VRS for the benefit of their employees.

Mission Statement
VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

To achieve its mission, VRS employs a workforce with diverse skill sets, working in the areas of finance, information technology and security, benefit administration, investments, customer service, policy, planning and compliance, audit, human resources, public relations, risk management, budgeting and performance management.

As of June 1, 2023, a total of 392 employees work for VRS, consisting of 360 salaried and 32 wage positions. VRS further supplements its workforce by hiring contractors and other vendor partners to address organizational needs as they arise.

HUMAN RESOURCES

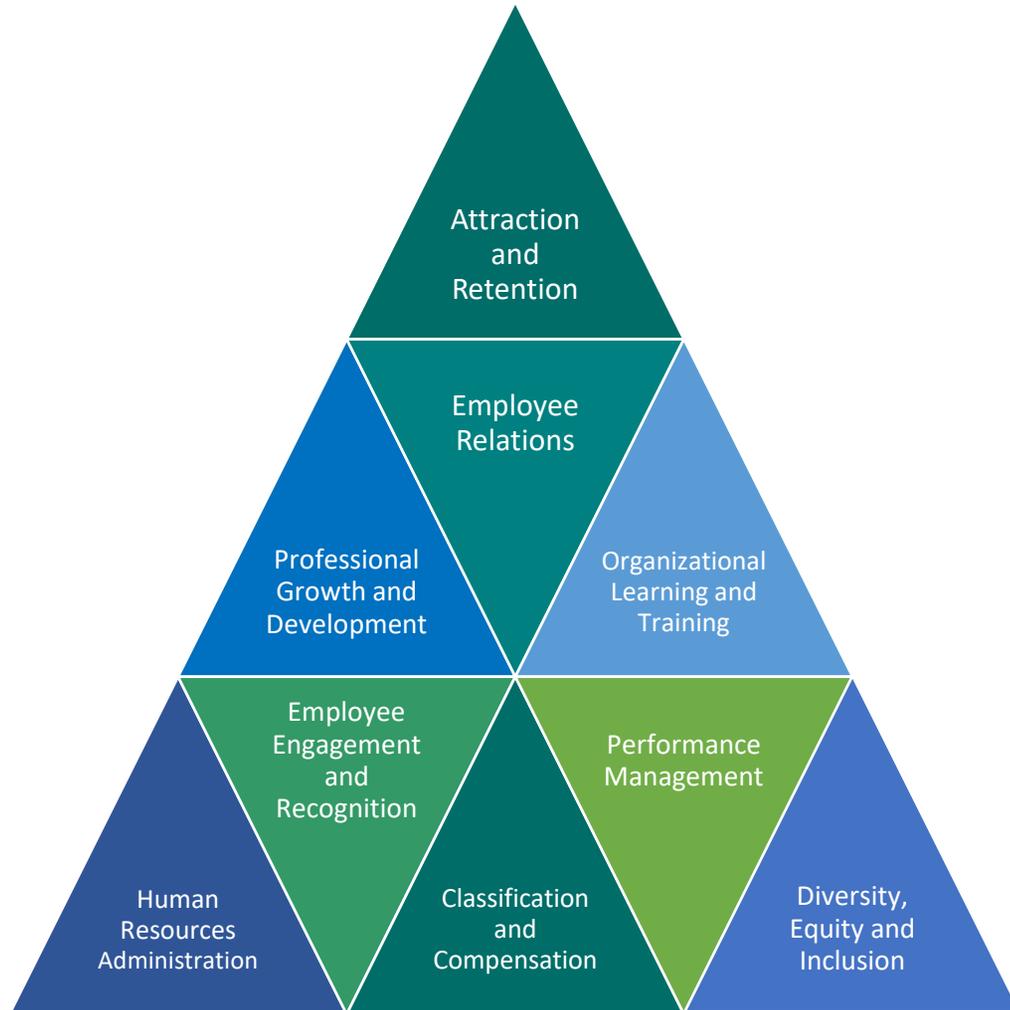
Its staff is one of VRS’ most important assets. The Human Resources department views the organization’s workforce as its customer, and through *teamwork* coordinates with the Payroll department and other business areas to carry out its responsibilities. Human Resources supports VRS’ employees by performing key functions to support talent management, internal workforce related communications and employee wellness.

Talent Management

Talent management practices play a vital role in VRS retaining a skilled workforce. The Human Resources department is responsible for maintaining organizational policies supporting the workforce, as well as coordinating related processes, communications, training courses and events for VRS employees.



VRS builds its talent foundation through key Human Resources department driven initiatives designed to educate, grow and challenge its workforce to ensure VRS has the right resources in place to fulfill its mission, as reflected in the graphic below.



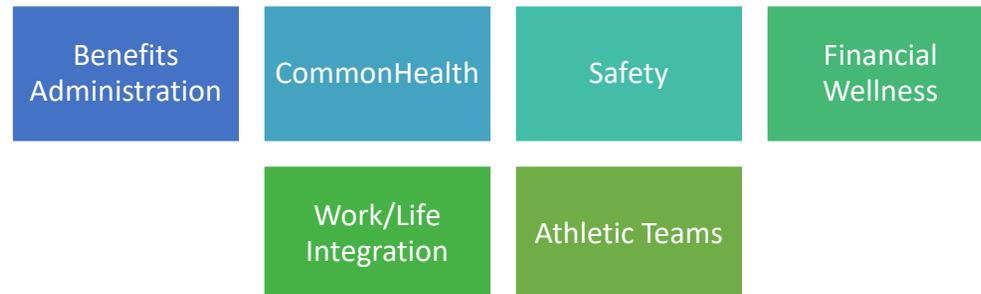
Internal Communications

Communication is a key tool for sharing current information with the entire organization, providing educational opportunities and fostering positive workplace interactions and relationships. Human Resources supports internal communication through the following means.



Employee Wellness

VRS recognizes employee wellness as a key factor in job satisfaction, which plays a significant role in attracting and retaining employees. The Human Resources department coordinates and promotes information for VRS and statewide offerings supporting employee wellness including:



SIGNIFICANT CHANGES IMPACTING HUMAN RESOURCES

In recent years, the Human Resources department has responded to significant changes affecting both the department and VRS as an organization. The department's *agility* in addressing these changes helps VRS and its employees continue operations without interruption.

COVID-19:

The pandemic required dramatic, rapid shifts in working environments to address evolving health and safety concerns.

Human Resources updated affected policies and procedures to reflect changes in working conditions and expectations and communicated regularly with the entire organization to provide updates, address employee questions/concerns and collect employee feedback.

Human Resources continues to evaluate the lasting impacts from the pandemic on both work environments and the job market.

Job Market and Recruitment:

New trends have emerged as a result of the pandemic and changing economic conditions. While VRS' turnover remains low, the number of recruitments and complexities has increased.

Human Resources has evaluated these trends and associated challenges, while actively working with hiring managers to update job descriptions and postings. VRS' recruitment efforts continue evolving to attract candidates who best fit VRS' organizational culture and bring the desired skills and experience to fulfill its needs.

Turnover within the Department:

Employee turnover within Human Resources prompted the department to reflect on its strategy and how to be more transformational in the performance of its duties.

As part of this exercise, the department identified opportunities to realign job responsibilities to maximize the skill sets and expertise of its employees, while also increasing process efficiencies.

Statewide IT Systems:

VRS uses the commonwealth's IT systems for recruitment and for reporting information needed for health benefits administration and payroll processing. The Department of Human Resources Management (DHRM) and DOA recently replaced their respective legacy systems.

VRS' Human Resources updated its policies and procedures in response to these system changes, while coordinating with other internal departments to update business processes and identify opportunities to increase efficiencies.

VRS' ability to adapt to these recent changes, as well as being prepared for the future, are further amplified by other enhancements and initiatives led by the Human Resources department.

OTHER ENHANCEMENTS AND INITIATIVES FOR HUMAN RESOURCES

As a part of its strategic focus, the Human Resources department focuses on how it can innovate to be more transformational rather than transactional in the services it provides VRS employees and continues to implement new enhancements and initiatives to better serve the organization.

Positioning for Future

- Consultant led market study of pay grades and salary ranges to support competitive pay relative to market conditions
- Updating job descriptions
- Developing career ladders to encourage employee retention and growth and to support succession planning

Onboarding and Orientation

- Revamping onboarding process and materials, with a "culture first" focus along with core competencies and expectations
- Reimagining orientation as a full day hybrid format, with participants joining in person and remotely
- Developed new tools to facilitate the process, while providing opportunities for dialogue and discussion with managers and new employees
- Investigating additional innovation opportunities

Marketing Careers

- Collaborated with the Public Relations team to create and launch a Careers page on the VRS website, including videos, employee testimonials, information on VRS benefits, hybrid model, current vacancies and how to apply
- Advertising openings on the state's recruitment system and Indeed, with two vacancies highlighted on LinkedIn monthly
- Partnering with hiring managers for other job websites advertising specific vacancies
- Facilitating relationships with local colleges and universities to promote internships and vacant entry level positions

Human Resource Information System

- Initiated effort to implement a new HRIS to replace multiple systems currently used by the Human Resources department
- Aid in the modernization of departmental processes and enhance the department's ability to support stakeholder needs through access to data driven reporting

VRS Payroll Department



PAYROLL ADMINISTRATION

VRS' Payroll department acts with *integrity* as it performs a broad range of key processes to ensure employee payrolls and other employee payments are up to date and accurate. These key processes include managing changes impacting employee payroll information, reviewing and certifying payrolls, performing reconciliations and completing required reporting to external parties.

Through payroll review and certification processes, the Payroll department verifies the accuracy of and authorizes payments to VRS employees.

The Payroll department stays current on the commonwealth's payroll practices and requirements issued and communicated by the Department of Accounts (DOA) and the Internal Revenue Service and works with VRS' employees and Human Resources department to keep up to date with changes to employee payroll information.

Each state agency in the commonwealth is generally considered a separate employer for regulatory purposes and has an individual legal obligation to comply with all regulatory requirements. However, for certain tax-related reporting purposes the Commonwealth is considered a single employer. Failure to comply with regulatory requirements may result in late receipt of employee documentation, such as W-2s, and may also result in the assessment of penalties by regulatory agencies.

EMPLOYEE RECORDS AND RELATED IT SYSTEMS

VRS as an employer is responsible for complying with applicable federal and state requirements related to employee records. The Human Resources department has *accountability* for updating and maintaining employee records in compliance with legal and regulatory requirements, as well as internal and commonwealth processes supporting timekeeping, leave balances, performance management and payroll administration processes.

Maintenance of employee information for these areas requires the use of multiple IT systems, as well as collaboration among the Human Resources, Finance and IT departments, employees and their managers, DOA and vendors. The IT systems considered as a part of this review include:

Transition to Cardinal HCM

Cardinal HCM was officially introduced to state agencies in 2019 as the legacy system replacement and ultimately implemented through multiple releases starting in 2021.

VRS as a state agency transitioned to using Cardinal HCM for its employees as part of Release 1 in October 2021.

VRS is an interfacing state agency in its use of Cardinal HCM and is required to follow the guidance issued by DOA for data entry and logical access to the system.

- A vendor hosted application that serves as the system of record for maintaining current job, personal, timekeeping and leave data for VRS employees.
- A hosted application for statewide use, Cardinal Human Capital Management (Cardinal HCM), managed by DOA, which performs core functions related to commonwealth specific processes for human resources, benefits administration, time and attendance and payroll.
- An internal application and production database that prepares the VRS data to be sent to Cardinal HCM and compares VRS records and the related data in Cardinal HCM to confirm their agreement and accuracy.
- A vendor hosted application used for performance management for certain employees.

Additional ancillary systems interface with the vendor hosted application that serves as the system of record for employee information to support other business processes outside the purview of this review.

System Interfaces

An interface represents the place at which independent and often unrelated systems meet and act on or communicate with each other, primarily to exchange data. The place the systems meet could be located within the VRS network for internal systems or outside the VRS network for systems managed by external parties.

System interfaces occur among IT systems to routinely exchange data to support recurring human resources, payroll and performance management processes. As applicable, the VRS IT department, system vendors and DOA provide technical support for these data exchanges.

SCOPE AND METHODOLOGY

The primary purposes of our examination were to:

- Evaluate key human resources and payroll processes to determine if they support accurate and valid payments to VRS employees and Board of Trustees members.
- Assess key human resources processes for distributing leave to determine if they comply with the VRS Leave Policy.
- Evaluate if IT processes performed by VRS protect the confidentiality, integrity and availability of key data exchanges among systems supporting human resources and payroll processes.
- Determine if logical access to IT systems for human resources and payroll processes is based on the principle of least privilege, consistent with assigned job responsibilities and supports separation of duties.

This examination focused on human resources and payroll processes for VRS employees. Certain scope adjustments were made under these broad objectives to acknowledge previously performed work (see Report No. 453) as well as planned work for future engagements.

GENERAL ASSESSMENT AND UNDERSTANDING

We obtained a general understanding of the human resources and employee payroll practices and related controls by meeting with key individuals across the organization and observing processes and systems. We also reviewed the applicable policies and procedures and other relevant documents.

PAYROLLS

A sample of payrolls including payments to VRS employees and Board of Trustees members were reviewed to determine if they were reasonable and properly authorized.

For each payroll selected, the following was evaluated to determine if:

- Changes to payroll agreed with supporting documentation.

1500 Hour Rule

Per DHRM issued guidance, the Affordable Care Act (ACA) defines a full-time employee as an individual who works an average of at least 30 hours a week. ACA mandates employers provide health care coverage for workers who exceed the threshold within the defined period.

Wage employees of all state agencies are limited to working no more than 1500 hours per agency over the course of 12 months, from the defined period of May 1st to April 30th.

If a wage employee works more than 1500 hours during this defined period, the employer is required to offer the individual health care coverage.

- Review and analysis of the payroll for accuracy occurred prior to and after the disbursement of payments.
- Payroll was approved by the designated VRS employees prior to the disbursement of payments.

RECONCILIATIONS

A sample of reconciliations completed by Payroll were selected to assess whether they agree to supporting documentation and were properly prepared and reviewed. Reconciliations and related DOA certifications selected for review included:

- Semi-monthly reconciliation of contributions paid for deferred compensation and hybrid plans.
- Monthly reconciliation and certification to DOA of employee and employer paid healthcare premiums.
- Quarterly reconciliation and certification to DOA of federal and state taxable wages and withholdings.
- Year-end certification to DOA of federal and state taxable wages and withholdings and completion of the W-2 distribution form.

1500 HOUR RULE

Monitoring activities for hours worked by wage employees was discussed with Human Resources staff and assessed to determine if the activities support compliance with the 1500 hour rule. In addition, supporting documentation for the monitoring activities was reviewed to determine if the department's processes were performed as described.

MANUALLY ENTERED DATA CHANGES - CARDINAL HCM

A sample of the master data changes report for Cardinal HCM was obtained to determine if the Chief Human Resources Officer completed a monthly review of manually keyed changes to employee information.

SEMI-ANNUAL LEAVE DISTRIBUTION

The July 10th semi-annual automatic distribution of annual leave and the process for making any manual adjustments to the resulting leave balances were discussed with Human Resources staff and assessed to determine compliance with the VRS Leave Policy. In addition, we reviewed supporting documentation for the manual adjustments to determine if the department's described process was appropriately followed.

OTHER LEAVE DISTRIBUTIONS AND LEAVE PAYOUTS

A sample of leave distributed to new employees and annual leave balances paid to terminated employees were reviewed for accuracy and agreement with supporting documentation, as well as compliance with the VRS Leave Policy.

INTERNAL APPLICATION AND DATABASE

The internal application and related production database were discussed with VRS developers to gain an understanding of their design and to determine their role in the routine data exchanges between VRS and Cardinal HCM. The network diagram, other system related documentation and the third-party security assessment were reviewed to assess if the internal application's controls protect the confidentiality, integrity and availability of the routine data exchanges.

SYSTEM INTERFACES

Automated tasks routinely exchanging data among the vendor hosted applications, Cardinal HCM and the internal application supporting key human resources and payroll processes were discussed with members of the Finance, Payroll, Human Resources and IT departments to gain an understanding of the transfer methods, associated notifications, logs and error reports. Shared responsibilities among VRS, the vendors and DOA and processes and controls related to these transfer methods as well as associated notifications, logs and error reports were reviewed to evaluate their protection of the confidentiality, integrity and availability of these data exchanges.

Service Accounts

Service accounts are used by operating systems or applications to manage processes, functionality or backend access.

VRS manages service accounts outside of its Resource Access Management System (RAMS).

LOGICAL ACCESS

Logical access to the following was evaluated for reasonableness in relation to assigned job responsibilities, principle of least privilege and separation of duties, as applicable.

- Vendor hosted application for recording current job, personal, timekeeping and leave data.
- Internal application and production database.
- Vendor hosted application for performance management.
- Cardinal HCM.
- Files created or received during routine data exchanges.

In addition, the override of systems controls for these systems was considered as part of this review.

Service Accounts

Service accounts specific to the routine data exchanges were identified through the above review of logical access and discussion with members of the IT department. Request forms for these service accounts were evaluated to confirm they were complete, reasonable and properly approved.

CONCLUSIONS

GENERAL ASSESSMENT AND UNDERSTANDING

Overall, our review found:

- Key human resources and payroll processes support accurate and valid payments to VRS employees and Board of Trustees members.
- Key human resources processes for distributing leave comply with the VRS Leave Policy.
- IT processes performed by VRS protect the confidentiality, integrity and availability of key data exchanges among systems supporting human resources and payroll processes.

- Logical access to IT systems for human resources and payroll processes is based on the principle of least privilege, consistent with assigned job responsibilities and supports separation of duties.

There are no written recommendations resulting from our review; however, we noted opportunities for enhancements to certain processes. Other minor observations were shared with management that do not warrant attention here.

PAYROLLS

Payrolls reviewed including payments to VRS employees and Board of Trustees members were reasonable and properly authorized. Changes to payrolls agreed to the available supporting documentation, evidence of review and analysis of the payrolls prior to and after the disbursement of payments was present and the payrolls were approved by the designated VRS employees prior to disbursement of payments. Minor observations were shared with management regarding opportunities to enhance the collection of supporting documentation for tuition reimbursement payments.

RECONCILIATIONS

The semi-monthly, monthly, quarterly and year-end reconciliations and certifications agreed to supporting documentation and were properly prepared and reviewed.

1500 HOUR RULE

Human Resources' monitoring activities for hours worked by wage employees support compliance with the 1500 hour rule. Documentation demonstrated the department's processes were performed as described.

MANUALLY ENTERED DATA CHANGES – CARDINAL HCM

The review over manually keyed changes to employee information captured in the master data changes report for Cardinal HCM was performed as described.

SEMI-ANNUAL LEAVE DISTRIBUTION

Human Resources' processes for the semi-annual automatic distribution of annual leave and manual adjustments to leave balances indicated compliance with the VRS Leave Policy. Supporting documentation for the manual adjustments demonstrated the department is following its described process.

OTHER LEAVE DISTRIBUTIONS AND LEAVE PAYOUTS

Annual leave paid to terminated employees complied with the VRS Leave Policy and agreed with supporting documentation. However, leave distributed to several new employees subject to review did not comply with the VRS Leave Policy. The observations were discussed with management. Management agreed with these observations, did additional research and took immediate action to resolve all identified items.

INTERNAL APPLICATION AND DATABASE

VRS' design, network diagram, other system documentation and the third-party security assessment indicated the internal application and production database reasonably protect the confidentiality, integrity and availability of the routine data exchanges between VRS and Cardinal HCM.

SYSTEM INTERFACES

During our discussions with members of the Finance, Payroll, Human Resources and IT departments, we walked through the transfer methods, associated notifications, logs and error reports for the automated tasks routinely exchanging data among the vendor hosted applications, Cardinal HCM and the VRS internal application. Shared responsibilities among VRS, vendor, and DOA and associated processes and controls were found to reasonably protect the confidentiality, integrity and availability of these data exchanges.

LOGICAL ACCESS

Logical access to one vendor hosted application, VRS' internal application, Cardinal HCM and the files created or received during routine data exchanges is reasonable in relation to assigned job

responsibilities and supportive of the principle of least privilege and separation of duties. Certain logical access to the production database and the other vendor hosted application was found to not be reasonable in relation to assigned job responsibilities, the principle of least privilege and separation of duties. These instances were discussed as part of the results of the Logical and Physical Access Review (Report No. 453) and therefore will not be addressed here. Management took immediate action to research and resolve the noted observations.

Service Accounts

The request forms for the service accounts selected for review were complete and properly reviewed, with minor observations shared with management.

FOLLOW-UP ON PRIOR REPORTS

There were no outstanding audit recommendations to consider.

MANAGEMENT EXIT CONFERENCE

This report was distributed to Ms. Bishop and other members of VRS' management and staff for review and comment. They expressed substantial agreement with this report.

As there are no written recommendations, a written response from management is not required.

REPORT DISTRIBUTION

Submitted to the Audit and Compliance Committee at its meeting held
September 20, 2023.

MEMBERS OF THE AUDIT AND COMPLIANCE COMMITTEE

Joseph W. Montgomery, Committee Chair, Board Vice Chair
W. Brett Hayes, Committee Vice Chair
A. Scott Andrews, Board Chair

WITH COPIES TO:

OTHER MEMBERS OF THE BOARD OF TRUSTEES

J. Brandon Bell, II
John M. Bennett
Michael P. Disharoon
Susan T. Gooden
Jessica L. Hood
Lindsey K. Pantele

VRS EXECUTIVE LEADERSHIP

Patricia S. Bishop
Andrew H. Junkin
Members of the
Executive Committees

AUDITOR OF PUBLIC ACCOUNTS

Staci A. Henshaw

JLARC

Kimberly A. Sarte
Jamie Bitz

PRINCIPAL AUDITOR IN-CHARGE

Kristy Scott, CPA, CISA, CIA

AUDIT SUPERVISOR

Josh Fox, CIA, CIDA, CFE

Closed Session

CLOSED SESSION LANGUAGE

Closed Session under the Freedom of Information Act

The Freedom of Information Act (FOIA) prescribes the behavior of public bodies operating under the authority of the *Code of Virginia*, with the goal of providing transparency for Virginia's stakeholders.

In certain limited situations, as authorized under FOIA, a public body may enter closed session.

For the September meeting the committee will need to go into closed session to discuss:

1. An audit report (exempt under § 2.2-3711(A)(19))
2. The Audit Director's Performance (exempt under § 2.2-3711(A)(1))

Actions by the Committee in Closed Session

Any recommendations and actions agreed to by the Committee during the closed session must be voted upon and approved in open session to be communicated to the Board.

To Convene Closed Meeting

"I move that the Audit and Compliance Committee of the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act (i) for the purpose of discussing information that describes the design, function, operation, or access control features of a security system which is used to control access to or use of an automated data processing system pursuant to the exemption contained in Virginia Code § 2.2-3711(A)(19) and (ii) to discuss the performance of specific employees pursuant to the personnel exemption at *Code of Virginia* § 2.2-3711(A)(1)."

[Second needed]

[Roll call vote needed]

Certification after Closed Meeting

"I move the following resolution:

WHEREAS, the Audit and Compliance Committee of the Virginia Retirement System Board of Trustees convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

WHEREAS, *Code of Virginia* § 2.2-3712 requires a certification by the Committee that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, that the Audit and Compliance Committee certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Committee."

[Second needed]

[Roll call vote needed]

Audit Director's Performance Review.

Requested Action

The VRS Board of Trustees approves a ____% performance bonus for the Audit Director.

Description/Background

The Audit and Compliance Committee reviewed and evaluated the performance of the Audit Director. Based on this review and evaluation, the Committee recommends that the Board approve a ____% performance bonus for the Audit Director payable _____, 2023.

Rationale for Requested Action

The Audit and Compliance Committee recommends that the Board approve a ____% performance bonus for the Audit Director, payable _____, 2023, based on the Committee's review and evaluation of the Audit Director's performance during FY 2023. The Audit and Compliance Committee Charter in paragraph 14 of the duties and responsibilities section states "Review and make recommendations to the Board regarding the performance of the Audit Director." Section IV. H.(8) of the Board Governance Policy provides that the Board may review, monitor and oversee the performance of the Audit Director. Also, the Executive Pay Plan contemplates granting a performance bonus to the Audit Director.

Authority for Requested Action

Code of Virginia § 51.1-124.22(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date