
Minutes

The Audit and Compliance Committee of the Board of Trustees met on December 8, 2022, at the Virginia Retirement System located in Richmond, Virginia. The following individuals were present.

Audit and Compliance Committee Members:

W. Brett Hayes, Committee Vice Chair

A. Scott Andrews, Board Chair (*entered at 10:03 a.m.*)

Other Members of the Board of Trustees:

John M. Bennett

Michael P. Disharoon (*entered at 10:08 a.m.*)

William A. Garrett

VRS Staff:

Patricia Bishop, Jennifer Schreck, Judy Bolt, Michael Cooper, Barry Faison, Joshua Fox, Brian Goodman, Krystal Groff, Curt Mattson, Angela Payne, Matthew Priestas, Mark Rein, Kristy Scott and Leslie Weldon.

Guests:

Jamie Bitz, Joint Legislative Audit and Review Commission; and Zach Borgerding, Brian Deveney and Erin Rodriguez, Auditor of Public Accounts

The meeting convened at 10:00 a.m.

Opening Remarks

Mr. Hayes called the meeting to order and welcomed everyone to the December 8, 2022, 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.

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 September 13, 2022.

Exit on the 2022 Annual Comprehensive Financial Report

Mr. Borgerding informed the committee the APA's audit work over VRS' fiscal year 2022 ACFR was in its final stages. Mr. Borgerding indicated the APA plans to issue an unmodified opinion dated December 7, 2022. Mr. Borgerding noted as a part of the audit, the APA would issue a "Report on Internal Controls and Compliance" in January 2023. Audit observations involving information system security subject to FOIA Section 2.2-3705.2 are in the process of being discussed with management, with APA evaluating if any will be included in the report.

Entrance for 2022 Employer Assurances Review

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

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

Mr. Borgerding noted the examinations will cover the period July 1, 2021, through June 30, 2022, and the APA anticipates issuing its opinions on these matters on or about June 30, 2023. He further indicated an engagement memo would be provided to the committee at a later date.

Annual Report on Internal Audit's Quality Assurance Improvement Program

Ms. Schreck presented the results of the annual Internal Quality Assurance and Improvement Program Review as of June 30, 2022, noting the Principal Auditor for Quality Assurance had completed the review and concluded there was reasonable assurance that the Internal Audit Department was performing in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Ms. Schreck noted the department is in the process of reviewing and enhancing its audit report template, with plans to survey the committee members for their feedback.

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

Ms. Schreck shared there were no Fraud, Waste and Abuse cases reported for the period August 1, 2022, through October 31, 2022.

Management's Quarterly Travel Expense and Per Diem Report

Ms. Schreck noted management's quarterly travel expense and per diem report was included in the meeting materials for the Audit and Compliance Committee's review.

Confirmation of 2023 Meeting Schedule

Ms. Schreck shared the 2023 VRS Board and Committee meeting dates, noting the next meeting of the Committee is scheduled for March 29, 2023, at 1:00 p.m.

Audit Reports

The committee received two audit reports from staff.

Audit Report 447 – General Ledger System

Ms. Scott presented the results of Internal Audit's review of the General Ledger System. The review determined processes are in place to protect the confidentiality, integrity and availability of the system with opportunities to enhance the processes. There was one recommendation resulting from the review.

Audit Report 448 – Application Controls: myVRS and the Fraud System

The Committee went into closed session to receive the results of Internal Audit's review of Application Controls: myVRS and the Fraud System from Mr. Priestas.

Closed Session Motion

Mr. Bennett moved, with a second by Mr. Andrews, 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 to discuss 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 public safety exemption at Virginia Code § 2.2-3711(A)(19).

Certification

Upon return to the open meeting, Mr. Bennett moved, with a second by Mr. Andrews, 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, § 2.2-3712 of the *Code of Virginia* requires a certification by this committee that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, that the 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.

The committee approved the resolution upon the following roll call vote:


Mr. Andrews: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Mr. Hayes: Aye


Acceptance of Audit Reports

Upon motion of Mr. Andrews, seconded by Mr. Bennett, the committee accepted audit reports 447 and 448 as presented.

Meeting Adjournment

There being no further business, upon motion by Mr. Andrews, seconded by Mr. Bennett, the Audit and Compliance Committee adjourned the meeting at approximately 10:41 a.m.


Committee Chair


Secretary