
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 Updates

Quarterly 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.

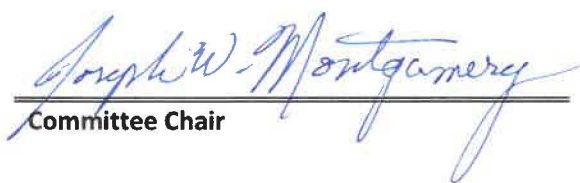
Next Committee Meeting Date

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