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## **Minutes**

In accordance with Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly of the *Code of Virginia* as it relates to conducting business during the COVID-19 pandemic, the Audit and Compliance Committee of the Board of Trustees convened electronically on June 3, 2021.

The following individuals participated electronically.

***Audit and Compliance Committee Members:***

Joseph W. Montgomery, Committee Chair  
W. Brett Hayes, Committee Vice Chair

***Other Members of the Board of Trustees:***

J. Brandon Bell, II  
John M. Bennett  
William A. Garrett  
Troilen G. Seward, Ed.S.

***VRS Staff:***

John Alouf, Patricia Bishop, Judy Bolt, Jeanne Chenault, Michael Cooper, Valerie Disanto, Barry Faison, Jonathan Farmer, Laurie Fennell, Joshua Fox, Jay Gentry, Krystal Groff, Kelly Hiers, Robert Irving, Curt Mattson, Vera Pleasants, Matthew Priestas, Denise Rasmussen, Mark Rein, Daniel Schlussler, Jennifer Schreck, Kristy Scott, Jillian Sherman and Cynthia Wilkinson

***Auditor of Public Accounts:*** Zach Borgerding

Mr. Montgomery called the meeting to order at approximately 2:00 p.m. and noted that given the current circumstances related to COVID-19, the Audit and Compliance Committee (Committee) was unable to meet in person. However, utilizing electronic means, the Committee could hold this meeting in accordance with Item 4-0.01 of Chapter 522 of the 2021 Special Session I Acts of the Assembly of the *Code of Virginia* as it relates to conducting business during a pandemic.

Mr. Montgomery then completed a roll call of each Committee member for attendance purposes:

Senator Bell – present  
Mr. Bennett – present  
Chief Garrett – present  
Mr. Hayes – present  
Ms. Seward – present  
Mr. Montgomery – present

***PUBLIC COMMENT***

Mr. Montgomery noted that no individuals registered to provide public comment to the Committee.

***MINUTES***

Upon motion of Senator Bell, seconded by Mr. Bennett, the Committee approved the minutes of the Audit and Compliance Committee meeting held on March 16, 2021 upon the following roll call vote:

Senator Bell – aye  
Mr. Bennett – aye  
Chief Garrett – aye  
Mr. Hayes – aye  
Ms. Seward – aye  
Mr. Montgomery – aye

***UPDATE ON THE  
2020 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 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 by the end of July.

***ENTRANCE  
CONFERENCE***

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' Annual Report for the fiscal year ending June 30, 2021. 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 annual comprehensive financial report (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 and addressed the Committee's questions.

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<b>AUDIT REPORTS</b>	The Committee received three audit reports from staff in the following order.
<b><i>Audit Report 437</i></b>	Mr. Fox presented audit report 437 – <i>Private Equity Program</i> which concluded due diligence and monitoring activities over the program are adequate and align with the Investment Policy Statement. There were no written recommendations resulting from the review. The Committee discussed the timing considerations of available financial data and external investment manager relationships.
<b><i>Audit Report 436</i></b>	Ms. Bolt presented audit report 436 – <i>Optional Retirement Plan for Higher Education</i> . The review evaluated the reasonableness and adequacy of monitoring activities and compliance activities performed by VRS and the accuracy of plan distributions, financial activities and system interfaces. There were no written recommendations resulting from the review.
<b><i>Audit Report 438</i></b>	Ms. Scott presented audit report 438 – <i>Internal Equity Management Program</i> which determined whether program activities are properly recorded and align with the Investment Policy Statement. In addition, other related processes reviewed are operating as intended. There were no written recommendations resulting from the review.
<b>ACCEPTANCE OF AUDIT REPORTS</b>	Upon motion of Mr. Bennett, seconded by Senator Bell, the Committee accepted audit reports 436, 437, and 438 as presented, upon the following roll call vote:  Senator Bell – aye Mr. Bennett – aye Chief Garrett – aye Mr. Hayes – aye Ms. Seward – aye Mr. Montgomery – aye
<b>MODERNIZATION QUARTERLY REPORT - MANAGEMENT</b>	Ms. Rasmussen presented Management's report on the Modernization Program - Phase Four. Ms. Rasmussen provided a timeline highlighting the progress and accomplishments of the Modernization Program over the past 10 years and updated the Committee on the Phase Four progress. Ms. Rasmussen discussed the status of the rollout of software and VRS' implementation plan for the remaining features, including outreach and training, soft launch approach, and post wave business rollouts. The budget and cost updates as of March 31, 2021 were provided.
<b>MODERNIZATION QUARTERLY REPORT - INTERNAL AUDIT</b>	Mr. Priestas discussed Internal Audit's Review of the Modernization Program - Phase Four indicating agreement with management's representations regarding the overall schedule, budget and scope of Phase Four. Mr. Priestas acknowledged management's continued thoughtful and cautious planned



approach through implementation and afterwards. Looking forward, VRS' risk averse approach tentatively indicates a full release of all features to all members in Fall 2021.

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

Ms. Schreck noted there were no Fraud, Waste and Abuse cases reported for the period February 1, 2021 through April 30, 2021.

**MISCELLANEOUS  
UPDATES**

**Management's Quarterly Travel Expense and Per Diem Report**

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

**FY2022 Annual Audit Plan Assessment and Validation**

Ms. Schreck noted that the risk assessment and validation of the Fiscal Year 2022 Annual Audit Plan was underway. Ms. Schreck reminded the Committee that the annual audit plan is derived from the long range plan. While it is the goal to focus on those projects included in the long range plan, the risks currently impacting the organization are considered when finalizing an individual fiscal year's annual audit plan. The proposed annual plan with any adjustments based on this feedback with consideration of the implications to the long-range audit plan will be presented to the Committee for its review and approval at the September meeting.

**Next Committee Meeting Date**

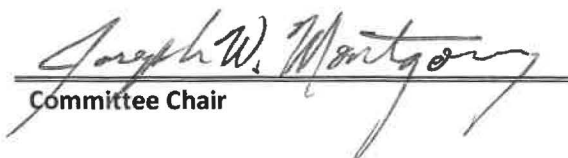
Ms. Schreck noted the next meeting of the Committee is scheduled for September 13, 2021 at 1:30 p.m.

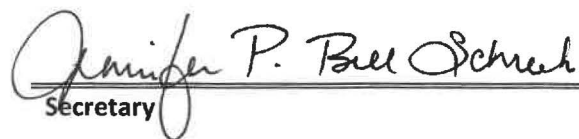
**MEETING  
ADJOURNMENT**

There being no further business, Ms. Seward motioned to adjourn the meeting which was seconded by Senator Bell.

Mr. Montgomery adjourned the meeting at approximately 3:00 p.m. upon completion of the following roll call vote:

Senator Bell – aye  
Mr. Bennett – aye  
Chief Garrett – aye  
Mr. Hayes – aye  
Ms. Seward – aye  
Mr. Montgomery – aye

  
Committee Chair

  
Secretary