

---

## **Minutes**

The Audit and Compliance Committee of the Board of Trustees met on December 6, 2021, 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  
O’Kelly E. McWilliams, III, Board Chair

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

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

***VRS Staff:***

Patricia Bishop, Jennifer Schreck, Judy Bolt, Jeanne Chenault, Michael Cooper, Valerie Disanto, Barry Faison, Jonathan Farmer, Joshua Fox, John T. Grier, Krystal Groff, Robert Irving, Chung Ma, Curt Mattson, Matthew Priestas, Paula Reid, Mark Rein, Kristy Scott, Jillian Sherman and Cynthia Wilkinson

***Auditor of Public Accounts:*** Zach Borgerding and Erin Rodriguez

The meeting convened at 2:00 p.m.

***WELCOME***

Joseph W. Montgomery called the meeting to order and welcomed everyone to the December 6, 2021, meeting of the Audit and Compliance Committee of the Virginia Retirement System’s Board of Trustees and noted no changes or additions to the meeting agenda.

***MINUTES***

Upon motion of Mr. McWilliams, seconded by Mr. Hayes, the Committee approved the minutes of the Audit and Compliance Committee meeting held on September 13, 2021.

***EXIT ON THE 2021  
ANNUAL  
COMPREHENSIVE  
FINANCIAL REPORT  
(ACFR) AUDIT***

Mr. Borgerding informed the Committee that the APA’s audit work over VRS’ fiscal year 2021 ACFR was in its final stages. Mr. Borgerding indicated the APA anticipates issuing an unmodified opinion dated on or about December 10, 2021. Mr. Borgerding noted as a part of the audit, the APA would issue a “Report on Internal Controls and Compliance” which would not include any formal recommendations.

***ENTRANCE WITH  
APA REGARDING  
EMPLOYER  
ASSURANCES***

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, and
- *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, 2020, through June 30, 2021, and that the APA anticipates issuing its opinions on these matters on or about June 30, 2022. He further indicated an engagement memo would be provided to the Committee at a later date.

**AUDIT REPORTS**

The Committee received one audit report from staff.

**Audit Report 441**

Ms. Bolt presented audit report 441 – Retiree Payroll and Changes which evaluated processes associated with the monthly retiree payroll and changes to it as well as the annual generation and distribution of the related 1099-R tax data and forms to determine if they are working as expected. There were no written recommendations resulting from the review.

The Committee discussed with Ms. Bishop the disbursement payment methods and tax treatment related to the monthly retiree payroll.

**ACCEPTANCE OF  
AUDIT REPORT**

Upon motion of Mr. McWilliams, seconded by Mr. Hayes, the Committee accepted audit report 441 as presented.

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

Ms. Bolt presented the Fraud, Waste and Abuse cases investigated for the period August 1, 2021, through October 31, 2021. Ms. Bolt noted there was one case reported during the period. The case alleged abuse of retirement benefits and was determined to be unfounded and therefore closed.

**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, 2021, 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 next external quality assurance review will occur in the fall of 2024.

The Committee discussed with Ms. Schreck the Department's progress in obtaining additional IT audit resources and the growing IT audit experience and qualifications of the existing audit team members.

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

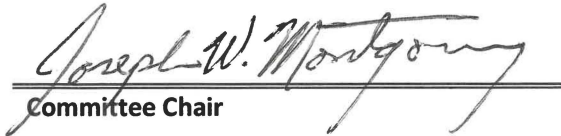
Ms. Schreck shared management's quarterly travel expense and per diem report was included in the meeting materials for the Audit and Compliance Committee's review.

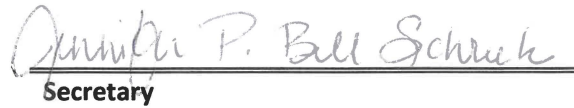
**Next Committee Meeting Date**

Ms. Schreck noted the next meeting of the Committee is scheduled for March 29, 2022, at 2:00 p.m.

**MEETING  
ADJOURNMENT**

There being no further business, upon motion by Mr. McWilliams, seconded by Mr. Hayes, the committee agreed to adjourn the meeting at approximately 2:32 p.m.

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

  
\_\_\_\_\_  
Secretary