

Minutes

The Audit and Compliance Committee of the Board of Trustees met on December 7, 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

A. Scott Andrews, Board Chair

Other Members of the Board of Trustees:

Jessica L. Hood

Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Stephen Adelaar, Judy Bolt, Jeanne Chenault, Michael Cooper, Laurie Fennell, Antonio Fisher, Joshua Fox, J.T. Grier, Krystal Groff, Robert Irving, Matthew Priestas, Mark Rein, Kristy Scott, Leslie Weldon and Daniel Whitlock.

Guests:

Jamie Bitz, Joint Legislative Audit and Review Commission; Zach Borgerding, Erin Shell and Amy Stokes, Auditor of Public Accounts; and Robert Smith, NWN Carousel

The meeting convened at 10:00 a.m.

Opening Remarks

Mr. Montgomery called the meeting to order and welcomed everyone to the December 7, 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.

Approval of Minutes

Upon motion of Mr. Andrews, seconded by Ms. Pantele, the committee approved the minutes of the Audit and Compliance Committee meeting held on September 20, 2023.

Exit on the 2023 Annual Comprehensive Financial Report (ACFR)

Mr. Borgerding informed the committee the APA's audit work over VRS' fiscal year 2023 ACFR was in its final stages. Mr. Borgerding indicated the APA plans to issue an unmodified opinion dated no later than December 15, 2023. Mr. Borgerding noted as a part of the audit, the APA would issue a "Report on Internal Controls and Compliance" in January 2024. Results of the audit include potential recommendations which are in the process of being discussed with management and which the APA is evaluating for inclusion in the report.

Entrance for 2023 Employer Assurances Review

Mr. Borgerding then provided the committee with an overview of the APA's upcoming examination 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 examination will cover the period July 1, 2022, through June 30, 2023, and the APA anticipates issuing its opinions on these matters on or about June 30, 2024. He further indicated an engagement memo would be provided to the committee at a later date. Mr. Borgerding, Ms. Bishop and Ms. Schreck discussed with the committee the related costs and efficiencies of the APA performing this review for VRS and its participating employers, including the increased accuracy and consistency when employers use the information provided for their financial reporting.

Audit Reports

The committee received two audit reports from staff.

Audit Report 455 – Global Public Equity – External Managers

Mr. Fox presented the results of Internal Audit's review of Global Public Equity – External Managers. The review determined VRS provides appropriate oversight and monitoring of the Global Public Equity Program's externally managed accounts. There were no recommendations resulting from this review.

Audit Report 456 - Refunds

Mr. Priestas presented the results of Internal Audit's review of Refunds. The review determined VRS' overall control environment adequately supports refunds processing and management has acceptable segregation of duties, appropriate logical access as well as refunds processing procedures to ensure members' eligible account balances are disbursed accurately and timely. There were no recommendations resulting from this review.

Acceptance of Audit Reports

Upon motion of Ms. Pantele, seconded by Mr. Andrews, the committee accepted audit reports no. 455 and 456 as presented.

Annual Report on Internal Audit's Quality Assurance and Improvement Program

Ms. Schreck presented the results of the annual internal Quality Assurance and Improvement Program Review as of June 30, 2023, noting the Principal Auditor for Quality Assurance had completed the review and concluded there was reasonable assurance that the Internal Audit Department was generally performing in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Ms. Schreck highlighted the

milestones for the upcoming updates to the Global Internal Audit Standards and the timing of the department's next external Quality Assurance Review.

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

Ms. Bolt shared there was one Fraud, Waste and Abuse case reported for the period August 1, 2023, through October 31, 2023. The case was related to retirement benefits, was unfounded and closed.

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 2024 Meeting Schedule

Ms. Schreck shared the 2024 VRS Board and Committee meeting dates, noting the next meeting of the Committee is scheduled for March 27, 2024, at 1:00 p.m.

Meeting Adjournment

There being no further business, upon motion by Mr. Andrews, seconded by Ms. Pantele, the Audit and Compliance Committee adjourned the meeting at approximately 10:40 a.m.



Committee Chair



Secretary