



Audit and Compliance Committee Meeting

[1111 E. Main Street](#)  
[Third Floor Board Room](#)

Wednesday, 9/18/2024  
10:30 AM - 12:30 PM ET

I. Minutes of the June 11, 2024 Meeting

*Meeting Minutes - Page 3*

II. Matters for Discussion with the Auditor of Public Accounts

*Matters for Discussion with the APA - September 2024 - Page 9*

*APA VRS EA Board Exit - Page 10*

A. Exit on 2023 Employer Assurances Review

B. Update on 2024 Annual Comprehensive Financial Report

III. Audit Reports

A. Report 459: Investment Balances, Performance Reporting and Investment Manager Compensation

*Audit Report #459 - Page 27*

IV. Assurance Reviews

A. Review of VRS' 2024 Agency Performance Outcomes and Operational Measures

*FY 2024 APO and OM Memorandum - Page 50*

B. Review of VRS' Investment Incentive Compensation

*FY 2024 Incentive Compensation Memorandum - Page 51*

V. Audit and Compliance Committee Charter Review

*Audit and Compliance Committee Charter - Redline - Page 53*

*Audit and Compliance Committee Charter - Clean - Page 60*

VI. Internal Audit Charter Review

*Internal Audit Department Charter - Redline - Page 67*

*Internal Audit Department Charter - Clean - Page 82*

VII. Annual Progress Reports for FY 2024

A. Internal Audit Annual Report

*FY 2024 Annual Report - Page 95*

B. Annual Report on the Audit Recommendation Follow-up System

*FY 2024 Annual ARFUS Report - Page 105*

C. Annual Status Reports on the FY 2024 Annual Plan and FY 2021-2024 Long-Range Plan Progress

*FY 2024 Annual Plan Progress as of June 30, 2024 - Page 109*

*FY 2021 - FY 2024 Long-Range Plan Progress as of June 30, 2024 - Page 112*

VIII. Proposed Long-Range Plan for FY 2025-2027

*Proposed FY 2025 - FY 2027 Long Range Plan and FY 2025 Annual Plan - Page 122*

- Proposed FY 2025-2027 Long-Range Plan - Page 138*
- A. RBA: Approve FY 2025-2027 Long-Range Plan  
*RBA: Approve FY 2025 - FY 2027 Long Range Plan - Page 144*
- IX. Proposed Annual Plan for FY 2025  
*Proposed FY 2025 Annual Plan - Page 146*
- A. RBA: Approve FY 2025 Annual Plan  
*RBA: Approve FY 2025 Annual Plan - Page 148*
- X. Quarterly Report on Fraud, Waste and Abuse Hotline Cases  
*Fraud Waste and Abuse Report - May 1, 2024 through July 31, 2024 - Page 150*
- XI. Miscellaneous Updates
- A. Management's Quarterly Travel Expense and Per Diem Report  
*Management's Q4 Report - Page 154*
- B. Committee Meeting Schedule for Calendar Year 2025  
*Committee Meeting Schedule for Calendar Year 2025 - Page 173*
- C. Next Meeting Date: Thursday, December 12, 2024, at 10:00 a.m.
- XII. New Standards: Chief Audit Executive Position Qualifications and Competencies  
*Chief Audit Executive Position Qualifications and Competencies - Page 175*
- XIII. Review of Audit Director's Performance (Closed Session)  
*Closed Session Language - Page 184*  
*RBA: Audit Director's Performance Review - Page 185*

---

## Minutes

The Audit and Compliance Committee (committee) of the Board of Trustees (board) met on June 11, 2024, at the Virginia Retirement System located in Richmond, Virginia. The following individuals were present.

### Audit and Compliance Committee Members:

Sen. J. Brandon Bell, II, Committee Chair

John M. Bennett, Committee Vice Chair

A. Scott Andrews, Board Chair – attended remotely from The Plains, Virginia under § 2.2-3708.3(B)(1) of the *Code of Virginia* due to a temporary medical condition.

### VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Judy Bolt, Richard Brooks, Jeanne Chenault, Michael Cooper, Joshua Fox, Krystal Groff, Dane Honrado, Robert Irving, Sandy Jack, Curt Mattson, Matthew Priestas, Kathy Quiriconi, Mark Rein, Kristy Scott and Scott Weaver.

### Guests:

Jamie Bitz, Joint Legislative Audit and Review Commission and Zach Borgerding, Erin Shell and Amy Stokes, Auditor of Public Accounts.

The meeting convened at 1:00 p.m.

### Opening Remarks

Sen. Bell called the meeting to order and welcomed everyone to the committee's June 11, 2024, meeting. After noting the meeting was being held in accordance with Section 2.2-3708.3(B)(1) of the *Code of Virginia*, Sen. Bell completed a roll call for attendance purposes:

Mr. Andrews: Present

Mr. Bennett: Present

Sen. Bell: Present

Upon completion of the roll call, Sen. Bell asked for 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 December 7, 2023.

### Election of Committee Vice Chair

Upon nomination and motion of Mr. Andrews, seconded by Sen. Bell, the committee elected Mr. Bennett as Committee Vice Chair of the Audit and Compliance Committee.

---

### Status Update for the 2023 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 plans later in June and for the other post-employment benefit plans during the month of July. Further, Mr. Borgerding shared management had provided the materials to be audited earlier and the audit team had fewer questions regarding these materials than in prior years.

### Entrance Conference on 2024 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, 2024. 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 457 – Member and Employer Contributions

Ms. Scott presented the results of Internal Audit's review of Member and Employer Contributions. The review determined sufficient controls are in place to support VRS member and employer contribution activities and associated processes are working as expected. She discussed the use of data analytics in completing the audit, noting the analytics highlighted an opportunity for management to re-evaluate the existing process for transfers to employer retirement allowance accounts. There were no recommendations resulting from this review.

#### Audit Report 458 – Investment Decision Support

Mr. Priestas presented the results of Internal Audit's review of Investment Decision Support. The review found the overall controls governing Investment Decision Support are functioning to reasonably minimize risks,

processes generally align with best practice and operational controls in place address risks associated with project management, change management and logical access. Certain areas of enhancement were discussed with management, including one formal recommendation related to memorializing governance over the portfolios and projects managed by Investment Decision Support.

#### **Acceptance of Audit Reports**

Upon motion of Mr. Bennett, seconded by Mr. Andrews, the committee accepted audit reports no. 457 and 458 as presented.

#### **Annual Report on Code of Ethics**

Mr. Cooper provided an overview of VRS' Code of Ethics and the training provided to personnel. Mr. Cooper confirmed all eligible and available VRS staff had completed the annual code of ethics training by December 31, 2023. Mr. Cooper noted any employees on extended leave as of December 31, 2023, completed their training upon their return.

Mr. Brooks discussed the Investment department's Code of Ethics and Standards of Professional Conduct Policy and compliance monitoring, noting all Investment associates were in compliance as of December 31, 2023.

Ms. Schreck discussed the Internal Audit department's adherence to the VRS Code of Ethics and the Institute of Internal Auditors' Code of Ethics. She noted members of Internal Audit also hold various other professional designations and memberships, which provide similar frameworks for ethical behavior in the practice of that profession. Members of the Internal Audit staff complete annual certifications required by these professional organizations.

#### **Audit Plan Progress as of December 31, 2023**

Ms. Schreck reported on the progress of the fiscal year 2024 annual audit plan as of December 31, 2023, the mid-point of the fiscal year. She noted Internal Audit is on track to complete the annual Audit Plan, as adjusted.

#### **Implementation of the 2024 Global Internal Audit Standards**

Ms. Schreck discussed the current standards issued by the Institute of Internal Auditors and the implementation of the new Global Internal Audit Standards (Standards) effective in January 2025. She provided an overview of noteworthy changes and as required by the new standards, she asked for input from the committee members on VRS' internal audit function and related governance documents.

As it is a departure from the standards, Ms. Schreck discussed with the committee the benefits of VRS' long-range audit plan approach, potential changes in its duration and the Standards' expectation of an annual audit plan. After a robust discussion, the committee directed Ms. Schreck to retain the long-range plan approach but adjust the duration from a four to three-year perspective.

Ms. Schreck shared with the committee additional items which will require their approval at the September meeting, including updates to the Internal Audit Department and committee charters as well as the long-range and annual audit plans. In addition, she noted the committee would be asked to review and update the documentation regarding the expected qualifications and competencies for the audit director.

Additionally, Ms. Schreck acknowledged the additional efforts underway within the department to support the implementation of the Standards, including the update of internal policies, procedures and forms, the development of a departmental strategic plan and corresponding performance objectives. Ms. Schreck noted the committee would be asked to review and approve the performance objectives at their December meeting.

Finally, as required by the Standards, Ms. Schreck acknowledged the committee's responsibility to monitor and review the quality of the internal audit function through the department's quality assurance improvement program on an annual basis and the use of an external quality assurance review at least once every five years. Ms. Schreck indicated the department's external quality assurance was due this year and discussed her planned approach, approved by the committee chair, to perform a self-assessment with an independent validation, the results of which would be provided to the committee at their December meeting.

#### **Quarterly Reports on Fraud, Waste and Abuse Hotline Cases**

Ms. Bolt shared there were no fraud, waste and abuse cases for the period November 1, 2023, through January 31, 2024, and there was one fraud, waste and abuse case reported for the period February 1, 2024, through April 30, 2024. The case was related to short-term disability benefits, was unfounded and closed.

#### **Miscellaneous Updates**

##### Internal Audit's Review of the Cost-of-Living Adjustments

Ms. Schreck shared with the committee the results of Internal Audit's review of the amounts referred to as "Cost-of-Living Adjustments (COLA)" which will be effective July 1, 2024, were included in the meeting book. Ms. Schreck noted the results were provided to the Benefits and Actuarial Committee and Board of Trustees in February 2024 to support their review and approval process for these adjustments.

##### Management's Quarterly Travel Expense and Per Diem Reports

Ms. Schreck noted management's quarterly travel expense and per diem reports covering the three-month periods ending December 31, 2023, and March 31, 2024, were included in the meeting materials for the Audit and Compliance Committee's review.

##### Next Committee Meeting Date

Ms. Schreck acknowledged the next meeting of the committee is scheduled for September 18, 2024, at 10:30 a.m.



**Meeting Adjournment**

There being no further business, upon motion by Mr. Bennett, seconded by Mr. Andrews, the committee voted to adjourn the meeting at approximately 2:15 p.m.

---

---

**Committee Chair**

---

---

**Secretary**

# Matters for Discussion with the Auditor of Public Accounts



---

## **GASB No. 68 RELATED REPORTS**

[VRS Management's Assertions Related to Census Data for the fiscal year ended June 30, 2022](#)

[State Employee Retirement Plan for the fiscal year ended June 30, 2023](#)

[Political Subdivision Retirement Plan for the fiscal year ended June 30, 2023](#)

[Teacher Retirement Plan for the fiscal year ended June 30, 2023](#)

## **GASB No. 75 RELATED REPORTS**

[VRS Management's Assertions Related to OPEB Census Data for the fiscal year ended June 30, 2022](#)

[Disability Insurance Program for the fiscal year ended June 30, 2023](#)

[Group Life Insurance Plan for the fiscal year ended June 30, 2023](#)

[Line of Duty Act Program for the fiscal year ended June 30, 2023](#)

[State Health Insurance Credit Plan for the fiscal year ended June 30, 2023](#)

[Teacher Health Insurance Credit Plan for the fiscal year ended June 30, 2023](#)

[Political Subdivision Health Insurance Credit Plans for the fiscal year ended June 30, 2023](#)

---

---

# **MATTERS FOR DISCUSSION WITH THE APA**

## **Exit on the VRS 2023 Employer Assurances Audit**

The APA will exit with the committee on the results of their 2023 Employer Assurances Audit for GASB No. 68 and 75. A listing of and hyperlink to the 11 reports issued by the APA from this audit effort is provided for your convenience in the call out box to the left. The APA's presentation highlights the results of their work which will be discussed with the committee.

For reference purposes, a list of some types of questions posed to external auditors when exiting are provided below. However, exit meetings with the APA are typically informal, with questions posed as the committee sees fit.

### **Typical Questions Posed to External Auditors when Exiting**

- Were there any significant adjustments to the accounting records?
- Were there any significant accounting or auditing problems encountered during the examination? Do any remain unresolved?
- Were there any significant changes in accounting policies or principles during the year?
- Were there any indications of financial weaknesses, which should be addressed by the Committee?
- Did you detect any material errors, fraud, illegal acts, or significant deficiencies or material weaknesses in the internal control system?
- Are there any pertinent comments concerning operations in general?
- Did you review information furnished to others (e.g., actuaries)?
- Did the quality and quantity of personnel involved in the preparation and control of financial information appear adequate? Did personnel seem to be fulfilling their responsibilities in a conscientious and professional manner?
- Was the level of cooperation received from management and internal audit during the examination appropriate?
- Did you have enough time to complete all phases of your audit?

## **Update on the 2024 Annual Comprehensive Financial Report**

The APA will provide a brief update to the committee on the progress of their review of VRS' Annual Comprehensive Financial Report.



## **FY 2023 VRS Employer Assurances Engagement**

---

September 18, 2024

Zach Borgerding, Audit Director

Auditor of Public Accounts

# Pension and OPEB Plan Types

---

## Single Employer

- Single plan that covers the employees of a single employer

## Agent Multiple Employer

- Single plan that covers the employees of multiple employers
- Plan assets are segregated for each participating employer and cannot legally be used to pay other employer's pension or OPEB obligation

## Cost Sharing Multiple Employer

- Single plan that covers the employees of multiple employers
- Plan assets are not legally segregated for each participating employer and can legally be used to pay other employer's pension or OPEB obligation

# Agent Multiple Employer Plans

- Pensions – Political Subdivisions



- Health Insurance Credit – Political Subdivisions



# Agent Multiple Employer Plan Audit Assurances

---

Provide opinion on proper accumulation of census data by the plan

Provide opinion on fair presentation of changes in FNP by employer

Net Liability is the Residual Balance

Total Pension Liability

Less: Fiduciary Net Position

Net Pension Liability

Total OPEB Liability

Less: Fiduciary Net Position

Net OPEB Liability

# VRS Cost Sharing Multiple Employer Plans

---

## PENSION

- State Plan
- Teacher Plan

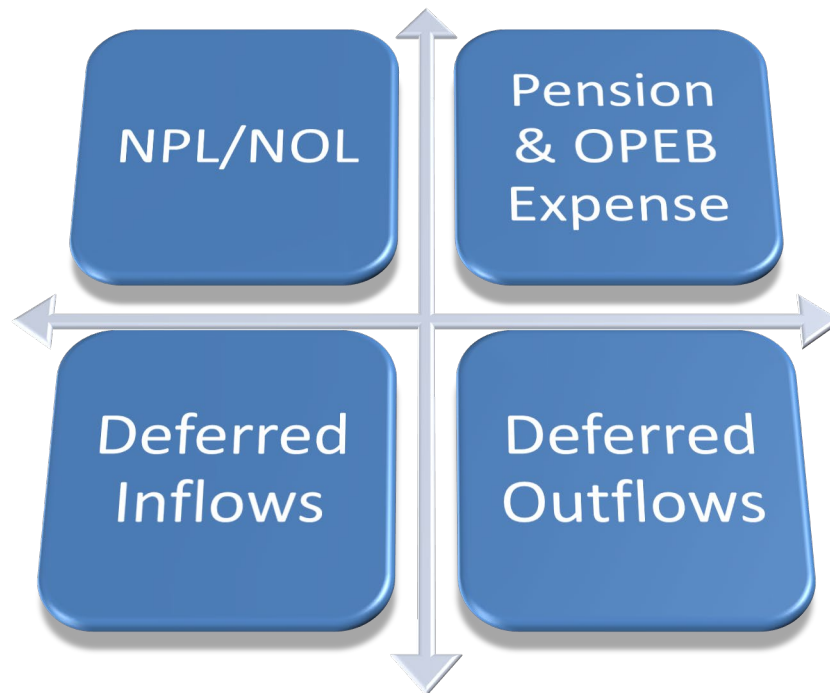
## OPEB

- Health Insurance Credit – Teacher
- Health Insurance Credit – State
- Group Life Insurance
- Line of Duty Act
- Virginia State Disability Program
- Virginia Local Disability Program (No opinions)

# Cost Sharing Multiple Employer Audit Assurances

- Provide opinion on pension/OPEB amounts at plan level

- Provide opinion on employer allocation percentages



Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40100	ACCOMACK COUNTY SCHOOL BOARD	\$ 3,023,764	0.35461%
40101	ALBEMARLE COUNTY SCHOOLS	9,491,479	1.11311%
40102	ALLEGHANY COUNTY SCHOOL BOARD	1,435,188	0.16831%
40103	AMELIA COUNTY SCHOOL BOARD	903,338	0.10594%
40104	AMHERST COUNTY SCHOOL BOARD	2,704,879	0.31721%
40105	APPOMATTOX COUNTY SCHOOL BOARD	1,176,909	0.13802%
40106	ARLINGTON PUBLIC SCHOOLS	29,095,514	3.41217%
40107	AUGUSTA COUNTY SCHOOL BOARD	6,291,642	0.73785%
40108	BATH COUNTY SCHOOL BOARD	498,809	0.05850%
40109	BEDFORD COUNTY SCHOOL BOARD	5,682,514	0.66642%
40110	BLAND COUNTY SCHOOL BOARD	483,108	0.05666%
40111	BOTETOURT COUNTY SCHOOLS	3,106,162	0.36427%
40112	BRUNSWICK COUNTY PUBLIC SCHOOLS	1,137,210	0.13337%
40113	BUCHANAN COUNTY SCHOOL BOARD	1,757,633	0.20613%
40114	BUCKINGHAM COUNTY SCHOOL BOARD	1,213,826	0.14235%

## APA Issued Unmodified Opinions for:

---

- Accurate and complete accumulation of census data to the actuary for pensions and OPEBs
- Fair presentation of the Schedules of Changes in Fiduciary Net Position at the employer level and related notes
- Fair presentation of pension/OPEB amounts, special contributions, non-employer contributions and employer allocations and related notes



## Census Data Opinion: Emphasis of Matter

---

- VRS does not have access to certain census data elements for retirees from an Optional Retirement Plan (ORP) who are eligible for HIC or GLI and have not claimed a benefit
- Actuary has applied assumptions in place of the data in accordance with Actuarial Standards of Practice
- Opinion was not modified in respect to this matter

# Audit Adjustments

---

- No significant adjustments identified to amounts presented in the schedules
- Less edits to disclosures than prior years (mostly minor language revisions or linking issues from wDesk)
- All proposed adjustments have been addressed in the audited reports

## Other Audit Results:

---

- No internal control findings warranting your attention
- No indications of non-compliance, fraudulent activity or illegal acts
- Proper treatment of accounting principles
- No material alternative accounting treatments
- No significant disagreements with management

## Issuance of GASB 68 and 75 Resources

---

- Employers received the following pension and OPEB resources in late August:

Audited Schedules

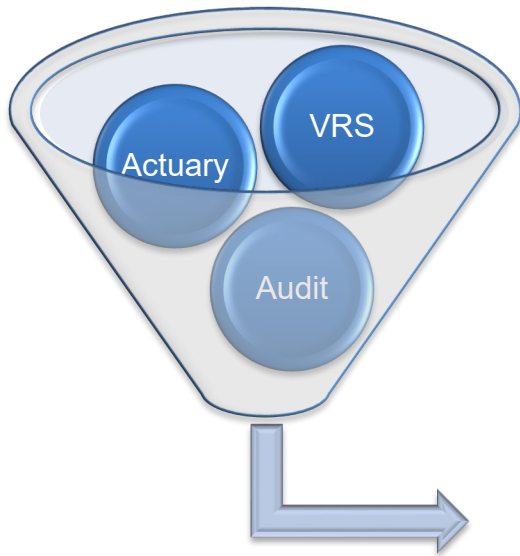
```
graph TD; A[Audited Schedules] --> B[GASB 68/75 Reports]; B --> C[Template Journal Entries]; C --> D[Template Note Disclosures];
```

GASB 68/75 Reports

Template Journal Entries

Template Note Disclosures

# GASB 68 and 75 Project Scope



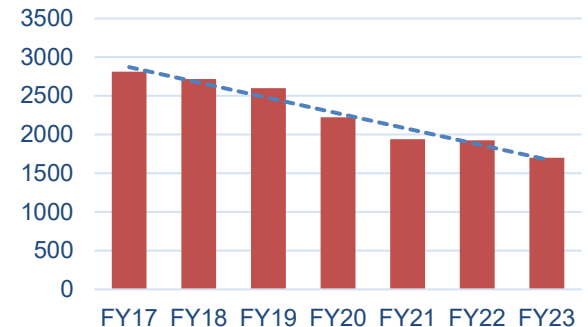
Significant volume of census data tested

**11** audit reports

**26** schedules requiring opinions

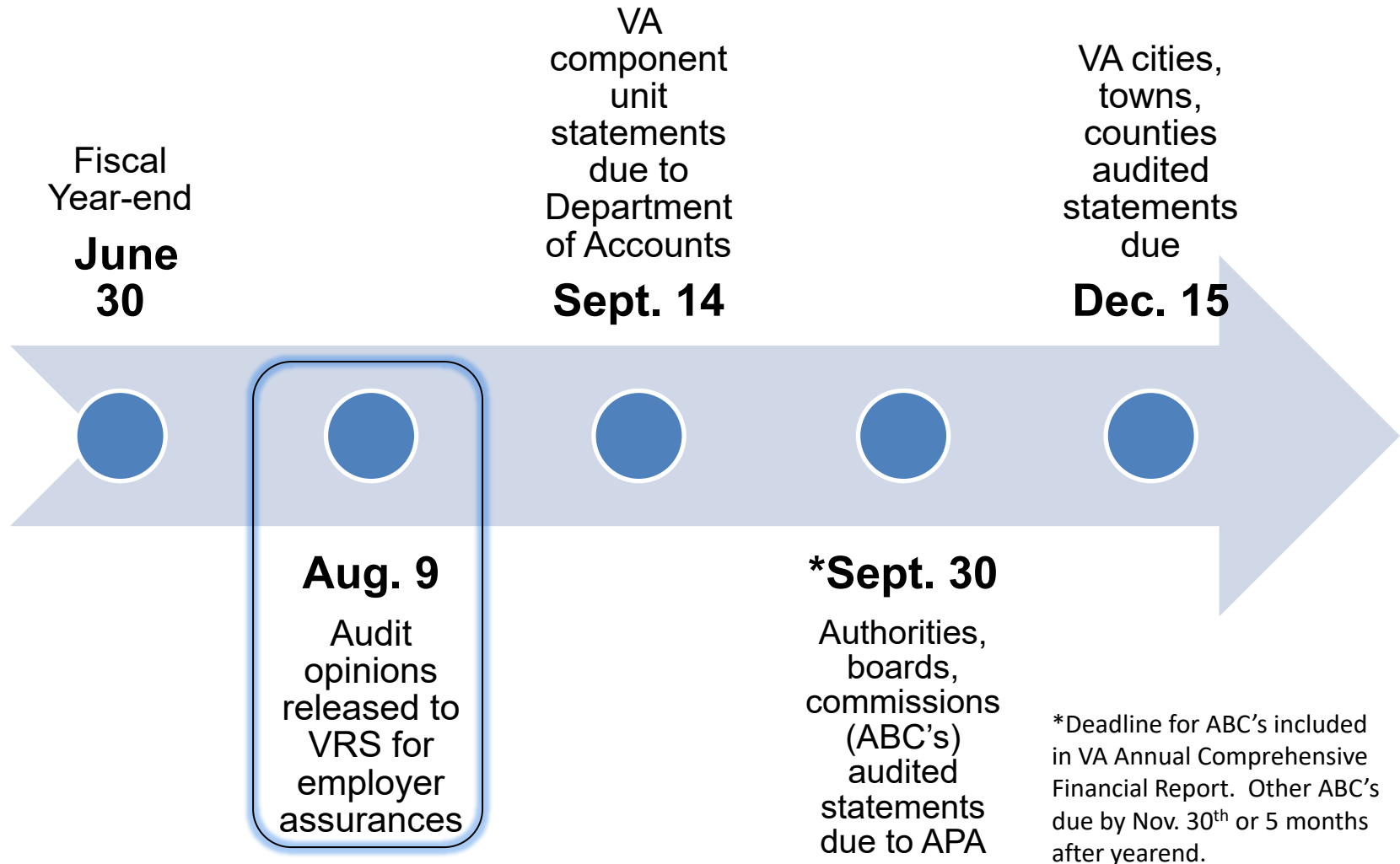
**175+** pages of disclosure and **10** sets of model entries

## Audit Effort (Hours)



# Timely Issuance for Employers

---



## Employer Auditor Communications

---

- VRS audit team annually updates *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards and Commissions* for GASB 68 and 75 requirements
- APA Local Government Audit Manager and the VRS audit team communicate with local employer auditors to address inquiries
- We have received few questions or concerns from local employer auditors and are receiving a steady flow of census data reports

## VRS Annual Report Audit – Progress Update

---

- On schedule
- No findings issued to this point
- Goal remains to finish earlier than prior year and in advance of December meeting
- No additional observations that require the Committee's attention



## Intended Use Statement

---

***This presentation is intended solely for the information and use of those charged with governance and management, and is not intended to be, and should not be, used by anyone other than these specified parties.***

# Audit Reports

# **Investment Balances, Performance Reporting and Investment Manager Compensation**

**As of and for the Six-Month Period ending December 31, 2023**



Dear Members of the Audit and Compliance Committee,

We have completed audit number 459, "Investment Balances, Performance Reporting and Investment Manager Compensation." The main purpose of our review was to determine whether investment balances and performance reporting are accurate, complete and agree to information recorded by the master custodian. Our audit also included a review of compensation paid to external investment managers and the master custodian, as well as a review of the fiscal year (FY) 2023 Popular Annual Financial Report.

We conducted our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the conclusions based upon our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

This report was distributed to the VRS director, chief investment officer and members of management for review and comment. As our review did not result in a written recommendation, management did not provide a written response but expressed substantial agreement with our report.

We appreciate the cooperation and assistance of the Investment and Finance departments throughout this review.

Respectfully Submitted,

**Jennifer P. Bell Schreck, CPA, CISA, PMP**  
Audit Director

---

## TABLE OF CONTENTS

TITLE PAGE	1
TRANSMITTAL LETTER	2
EXECUTIVE SUMMARY	3
BACKGROUND	4
SCOPE AND METHODOLOGY	13
CONCLUSIONS	17
FOLLOW-UP ON PRIOR REPORTS	21
RECOMMENDATIONS	21
MANAGEMENT EXIT CONFERENCE	21
REPORT DISTRIBUTION	22
PRINCIPAL AUDITOR IN-CHARGE	22
AUDIT SUPERVISOR	22

---

# EXECUTIVE SUMMARY

We conducted an examination related to VRS' investment balance, performance reporting and investment compensation processes as of and for the six-month period ending December 31, 2023. Previously, VRS Internal Audit completed two separate examinations over these areas. Based on the complementary nature of the areas in scope, they have been combined into one examination. Our current review determined:

- Investment balances exist, are properly valued and are properly classified.
- VRS' general ledger is accurately and timely reconciled with VRS' master custodian's and the Commonwealth's records.
- VRS-published investment performance reports accurately reflect the performance of the portfolio.
- Compensation paid to external investment managers and the master custodian are in accordance with contractual requirements, accurate and properly recorded.
- The 2023 VRS Popular Annual Financial Report (PAFR) accurately summarizes activities for FY 2023 as reported in VRS' Annual Comprehensive Financial Report (ACFR).

There are no written recommendations resulting from our review; however, we noted an opportunity for reflection and alignment with organizational initiatives related to current document and access management processes for investment contracts and related documentation. Additional details can be found in the Conclusions section of this report.

---

**SNAPSHOT**

As of **December 31, 2023**, the **market value** of **VRS' Total Fund** was **\$109.2 billion**.

The **VRS Total Fund** returned **10.2%** for the year ending **December 31, 2023**.

**During** the period **July 1, 2023**, through **December 31, 2023**, VRS provided **external investment** managers **\$152.5** million in **compensation**.

**AUDIT ASSESSMENT**

Investment Balances, Performance Reporting and Investment Manager Compensation are accurately reported and complete.

**Written Recommendations: 0**

---

Performance Reporting and Investment Manager Compensation depend on the accuracy of the investment account balances.

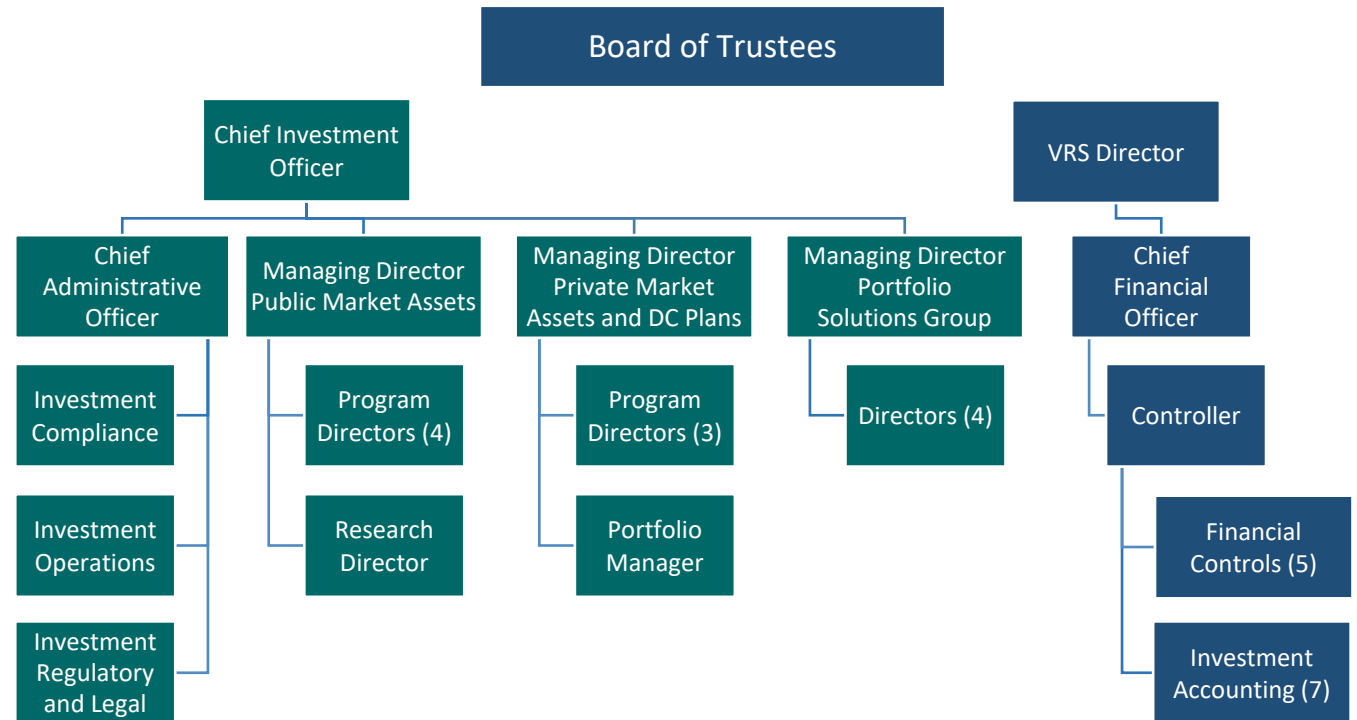


## BACKGROUND

### INTRODUCTION

This review focuses on investment balances and performance-based reporting, in addition to the compensation paid to VRS' external investment managers and master custodian based on investment activity. VRS' processes related to these areas are critical in supporting successful management of the Total Fund, accurate financial reporting, compliance with VRS' contractual agreements and maintaining third-party relationships.

These processes are completed through the coordinated efforts of multiple departments across the organization. VRS' Investment department and its respective teams are tasked with day-to-day management of the Total Fund investment portfolio, while VRS' Finance department is responsible for associated financial reporting activities and controls. The chart below highlights the various departments involved in these processes and their placement within the organization as of June 30, 2024.



Pg. 4 of 22

VRS' Trust Fund is comprised of more than 600 individual investment accounts. These include actively administered accounts and accounts which support secondary needs of these primary accounts, such as tax management and other inactive accounts in various stages of close out.

This review focused on the actively administered accounts.

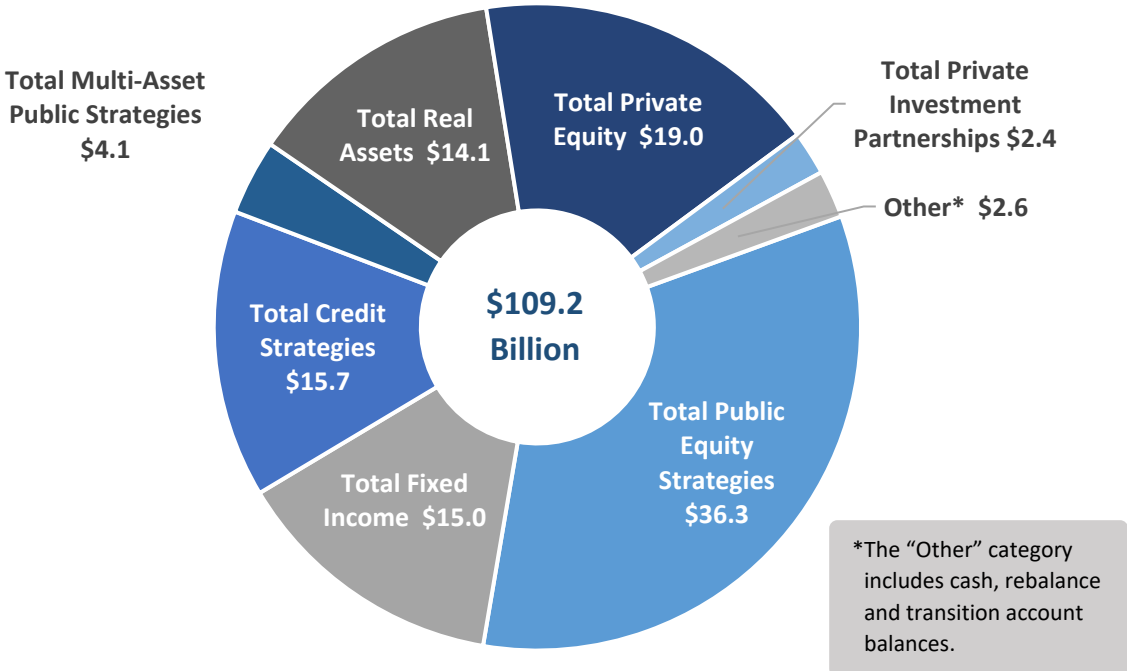
BNY Mellon recently completed a rebranding initiative and as of June 11, 2024, is now known as BNY.

### INVESTMENT BALANCES

The Bank of New York Mellon (BNY Mellon) serves as the master custodian for VRS and maintains the official accounting record for all investments. BNY Mellon administers more than 600 individual investment accounts across more than 140 investment managers on behalf of VRS. In addition, as of December 31, 2023, approximately 38% of VRS' Trust Fund was held in custody by BNY Mellon. The remaining investments were held in custody by other third-party custodians.

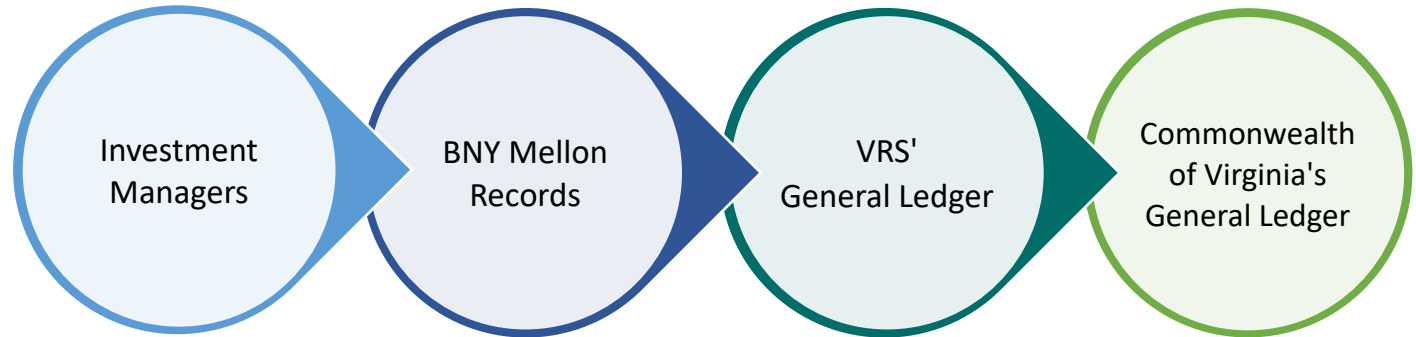
BNY Mellon interacts directly with these other third-party custodians and individual investment managers to obtain, record and reconcile investment data on behalf of VRS. The total Trust Fund balance across the various investment programs as of December 31, 2023, was approximately \$109.2 billion as shown in the chart below.

**Investment Balances by Program as of December 31, 2023**  
(In \$ billions)



## RECONCILIATIONS

Various reconciliations are performed to ensure investment balances are accurately recorded across the systems of record of the involved parties.



The combination of these reconciliations enables VRS to systematically ensure all financial and investment related information agree across its investment managers, BNY Mellon records, the Commonwealth's and VRS' general ledger. To this end, VRS oversees the following monthly and quarterly reconciliations to ensure proper reporting of its investment assets and liabilities:

RECONCILIATIONS			
FREQUENCY	SYSTEM OF RECORD	RECONCILED TO	RESPONSIBLE PARTY
MONTHLY	BNY Mellon's General Ledger	VRS' General Ledger	VRS Investment Accounting
	BNY Mellon's Platform	Manager Statements	BNY Mellon
	VRS' General Ledger	Commonwealth's General Ledger	VRS Control
	VRS' Investment Accounting Records	Total Investments Reported by BNY Mellon	VRS Investment Accounting
QUARTERLY	BNY Mellon's Platform	Manager Statements	VRS Investment Accounting



## INVESTMENT PERFORMANCE REPORTING

VRS publishes several performance reports to reflect the market value and performance of the assets held in the Trust Fund. These reports are distributed internally to support day-to-day investment activities in addition to the monitoring and oversight responsibilities of management and the Board of Trustees. As shown below, the primary performance reports produced by VRS include the Asset Allocation report prepared daily and the Performance Summary report prepared monthly.

After the audit period, responsibility for the daily asset allocation report shifted from the investment and risk management group to the director of treasury.

PERFORMANCE REPORTS				
FREQUENCY	REPORT	PURPOSE	INFORMATION SOURCE	RESPONSIBLE DEPARTMENT
<b>DAILY</b>	Asset Allocation	Presents the current asset class weights, investment balances, allowable ranges, along with any variances from current policy limits	BNY Mellon	Investment & Risk Management Group
<b>MONTHLY</b>	Performance Summary	Presents investment balances and performance information by asset class. Requires approval from each Investment program director and the chief investment officer (CIO)	BNY Mellon	Investment Accounting

VRS obtains the detailed account information necessary to prepare these reports from the BNY Mellon platform, which includes a performance reporting tool.

### Other Performance Reporting

VRS also publishes a consolidated Performance Summary and Asset Allocation Report to the Investment section of the varetire.org webpage. This quarterly report contains similar information as is reported in the Performance Summary and Daily Asset Allocation reports described previously.

Not all externally managed accounts have management or performance fees assessed.

This can be attributed to a variety of reasons such as: the age of the account, the type of investment or other contractual terms.

Finally, the Investment department's Investment Decision Support group produces other reports on an ad hoc basis, such as the Plan Performance Analysis, which includes both asset allocation and investment performance data. The Plan Performance Analysis is included as part of the CIO's presentation at Board of Trustees and Investment Advisory Committee meetings. Other ad hoc reporting supports day-to-day administration of the various programs.

## **INVESTMENT MANAGER COMPENSATION**

Consistent with industry practices, VRS compensates its external investment managers and financial institutions through various methods, such as management, performance and flat fees, as well as profit sharing. The establishment of individual terms and calculation of compensation are negotiated by VRS' in-house investment professionals with the support of the Investment department's regulatory and legal staff as part of VRS' hiring and due diligence processes. Often, industry standards for certain investments dictate the type and extent of compensation and VRS' ability to negotiate terms.

The payment of compensation associated with VRS' contractual relationships is subject to internal recalculation, review and approval processes. The frequency and approach of these processes are determined by a variety of factors, such as the contractual terms, legal structure of the investment and mutually accepted valuation methodology.

### **Investment Management Fees**

VRS pays investment management fees, also known as advisory fees, to its external investment managers. These fees cover the cost of resources used in the manager's day-to-day activities, such as personnel, office space and other miscellaneous administrative services. VRS' external investment manager contracts define the calculation methodology for management fees. The actual calculation varies between managers depending on the type of investment and other factors.

### **Investment Performance Fees**

Investment performance fees, also known as incentive fees, are paid to external investment managers in exchange for meeting or exceeding returns specified in their contracts.

In 2017, in accordance with the *Code of Virginia* § 51.1-124.30:1, VRS adopted a formal policy to regularly report on carried interest. These reports are published annually on VRS' public website.

Since calendar year 2018, VRS has contracted with a third party to review and compile the profit sharing information published in these reports.

### **Oversight of Management and Performance Fees**

Both management and performance fees are accrued over a finite time period and paid by VRS as earned by the external investment managers. These fees can be paid directly after the receipt of an invoice or indirectly through a deduction from a VRS investment account.

Depending on the contractual terms, the payment is subject to specific VRS review and approval processes. Investment Accounting recalculates the fees for all investment accounts, excluding hedge funds. BNY Mellon's Complex Accounting and Administration Group (CAAG) performs hedge fund fee accrual and recalculations on VRS' behalf.

### **Investment Manager Contracts and Related Documentation**

The Investment Regulatory and Legal department manages and electronically retains investment manager contracts and related documentation. This information can take a variety of different forms, including contracts, agreements, addendums, side letters, correspondence, etc. Direct access to the official records of investment manager contracts and related documentation is limited to the VRS Investment Regulatory and Legal and the VRS Investment Compliance departments. These departments, as well as other VRS Investment teams, provide Investment Accounting with investment manager contracts and related documentation, in part or in whole, to support the recalculation of management and performance fees.

Further, as needed, other teams within VRS' Investment department or VRS' external investment managers will provide other documentation to support the fee recalculations, such as invoices, manager financial or capital statements, correspondence, etc. When additional information is required, Investment Accounting will contact these internal resources as well as the external managers to obtain what they need to complete their work.

### **Profit Sharing (Carried Interest)**

Profit sharing, also known as carried interest, is a method for motivating and compensating high-performing external investment managers when investing in alternative investments. Profit sharing is intended to align the interest of the investor with the investment manager to motivate increased profits in which both can share once certain contractual requirements are met. The ability to offer profit sharing in its legal agreements with investment managers allows VRS to be competitive and gain entry to desirable alternative investments.

The accounting and payment of profit sharing is distinct from other types of investment related compensation. Typical investment management and performance fees are recorded for specific time periods, paid as earned, with an individual investor's portion readily identifiable. Profit sharing, on the other hand, is accrued during the life of the investment and recorded as a part of unrealized gains in the investment's quarterly and annual financial statements and not recognized as realized income until the investment's sale occurs and the net proceeds are distributed.

For VRS, typically once the investment is sold, the investment manager provides the net proceeds, which is a distribution of VRS' share, less the manager's portion of profit sharing. VRS' contractual agreements with its investment managers allow for the net proceeds to be distributed either in cash or securities, with cash being the most common form of payment.

#### *Financial Statement Reporting*

Generally, alternative investment manager's financial statements present the total unrealized gains, without parsing out each individual investor's share, during the life of the investment. Similarly, for the investor's financial reporting, profit sharing is a component of unrealized gains with no requirement in current accounting standards to present it separately in the financial statements.

Over the life of the investment, investment managers bear the responsibility for the accounting of the profit sharing arrangement. Each investment is audited annually by reputable certified public accounting firms, which generally includes a review of investor capital accounts and test work over individual distributions. As part of VRS' contract terms with its investment managers, VRS requires the delivery of annual audited financial statements.

### **MASTER CUSTODIAN COMPENSATION**

BNY Mellon serves an integral role as VRS' master custodian by maintaining the official accounting records for all investments and providing security settlement processing, asset custody and income collection, as well as other investment and accounting related services. VRS compensates BNY Mellon for these services through the payment of various fees. Payment to BNY Mellon occurs automatically through a deduction from a VRS cash account, with Investment Accounting monitoring the account's activity. Further, Investment Accounting performs a limited review of BNY Mellon invoices detailing the various fees paid.

### **Trust and Custody Services Fees**

VRS' contract with BNY Mellon for domestic trust and custody services includes a base annual fee, billed in monthly installments during VRS' fiscal year. This flat fee covers a variety of different services provided to VRS, such as pricing, reporting and performance and risk analytics. Additionally, this annual flat fee covers BNY Mellon's CAAG's services over VRS' hedge fund accounts.

### **Securities Lending Fees (Stock Loan Fees)**

VRS participates in BNY Mellon's securities lending program. As the program administrator, BNY Mellon assumes all default risk as well as responsibility for assuring the credit worthiness of the parties borrowing VRS securities. As a participant, VRS assumes the investment risk associated with the investment of the cash collateral. VRS compensates BNY Mellon for this risk assumption and services by splitting the securities lending net proceeds in accordance with the terms specified in their contract. BNY Mellon refers to its share of the net proceeds as stock loan fees.

Prior to July 2024, the VRS Fixed Income team ensured BNY Mellon managed VRS' participation in accordance with the agreed upon guidelines, monitoring performance, collateralization levels, the split of the stock loan fees and other significant metrics used for evaluating the overall health of the program.

Beginning in July 2024, these oversight responsibilities transitioned to the newly created position, director of treasury, which reports to director of portfolio integration, and ultimately to the managing director of the Portfolio Solutions Group.

### **Miscellaneous Fees**

BNY Mellon assesses other fees for various ancillary services provided to VRS, such as support for derivative investment strategies, special processing requirements, legal filings, vendor costs and physical holdings expenses. BNY Mellon invoices VRS as these services are performed. Similar to the base annual fee, these fees are paid automatically to BNY Mellon through a deduction from VRS' cash account. Investment Accounting monitors these fees as well when reviewing the cash account activity.



## POPULAR ANNUAL FINANCIAL REPORT

Since 2016, VRS has published an annual Popular Annual Financial Report (PAFR) on a fiscal year basis. The purpose of a popular report is defined by the Government Finance Officers Association as well as the *Governmental Accounting Standards Board Concepts Statement No. 1*. The PAFR highlights VRS' financial results and investments, as well as information about the organization and the benefits it provides. The PAFR is intended to be readily accessible and easily understandable by stakeholders and other interested parties without a background in public finance.

Providing a high-level summary of VRS' Annual Comprehensive Financial Report (ACFR), the FY 2023 PAFR condensed the FY 2023 ACFR's 328 pages of detailed information to 12 pages of key operational and pension and other post-employment benefit data.

## SCOPE AND METHODOLOGY

Our examination covered the period, July 1, 2023, through December 31, 2023. The primary purposes of the examination were to:

- Ensure investment balances exist, are properly valued and are properly classified.
- Ensure VRS' general ledger is accurately and timely reconciled with BNY Mellon and Commonwealth records.
- Determine investment performance reports published by VRS accurately reflect the performance of the portfolio.
- Ensure compensation paid to investment managers and the master custodian are in accordance with contractual requirements, accurate and properly recorded.
- Ensure VRS' FY 2023 PAFR accurately summarizes VRS' activities for FY 2023 as reported in VRS' FY 2023 ACFR.

## GENERAL ASSESSMENT AND UNDERSTANDING

We obtained a general understanding of the investment balances, performance reporting and investment manager compensation processes as well as the overarching controls by meeting with key individuals from each area. We also reviewed the applicable policies and procedures and other relevant documents.

Additionally, recent SOC (System and Organization Controls) 1 (Type 2) reports for BNY Mellon relative to the audit period, along with the Investment department's analysis of the SOC reports and the related complementary user entity controls, were obtained. The reports covered asset servicing (including CAAG) as well as custody, securities lending and centrally managed information technology services.

## CONFIRMATION OF INVESTMENT BALANCES

Due to the vast number of separate investment accounts (over 600), a random sample of external managers and their respective accounts were selected for independent confirmation. Consideration was given to the custody of the accounts and whether they were held by BNY

As of December 31, 2023, BNY Mellon held approximately 38% of VRS' Trust Fund assets in their custody.

The sample of accounts confirmed included 100% of the investments held by BNY Mellon and a random sample of investment accounts custodied by third parties.

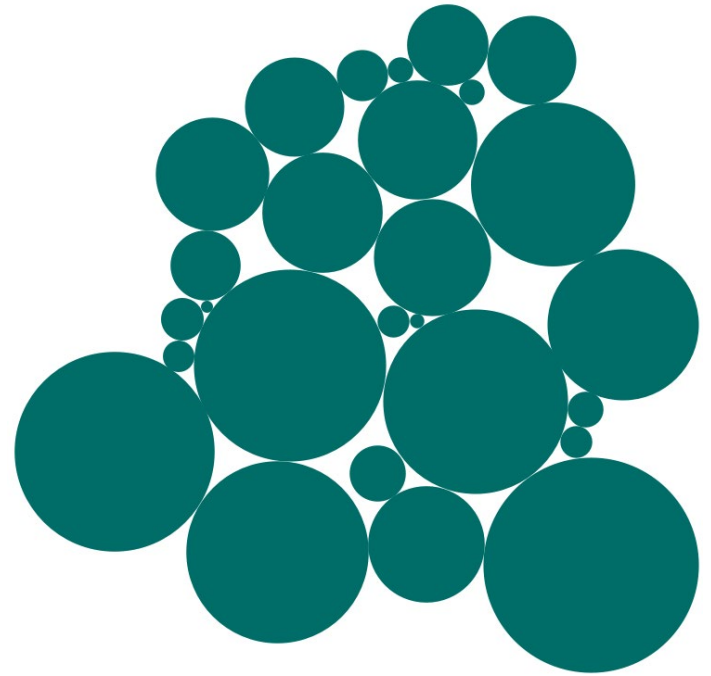
In total, approximately 55% of all VRS investments held by external parties as of December 31, 2023, including BNY Mellon, were independently confirmed as a part of this examination.

Mellon or a third party. Sixty individual investment accounts were confirmed directly with BNY Mellon. Further, 159 individual accounts not held in custody by BNY Mellon were confirmed across 30 managers, resulting in a total of 219 individual investment accounts being selected for confirmation.

The chart to the right provides an illustration of the 30 individual external managers selected for confirmation and the relative value of the 159 investment account balances confirmed across the selected managers. This chart does not include the value of the 60 accounts confirmed by BNY Mellon.

To gain additional assurance regarding the reliability of the accounting data maintained and reported by the selected external managers, audited financial statements were obtained, including an independent auditor's report for each of the various custodians or external managers included in the random sample.

### Relative Balances of Accounts Confirmed with External Investment Managers



### RECONCILIATIONS

Reconciliations as of December 31, 2023, were reviewed to ensure proper recording of VRS assets and liabilities within the VRS general ledger, BNY Mellon records and the Commonwealth's general ledger. All reconciliations were agreed to appropriate source documentation, in addition to confirming timely completion, proper approval and adequate segregation of duties. We also reviewed applicable policies and procedures surrounding the reconciliations to determine reasonableness.



Total Fund performance returns for 25 years are published quarterly on VRS' public website, however, are excluded from the monthly performance summary report.

## INVESTMENT PERFORMANCE REPORTING

The monthly Performance Summary Report dated December 31, 2023, was obtained to ensure the investment accounts were properly classified by asset class and confirm the market values of the accounts agreed to the market values recorded on VRS' general and subsidiary ledgers. We also verified the market values of the investment accounts, both by individual managers and by consolidated totals, with BNY Mellon information obtained directly through BNY Mellon's platform.

Using BNY Mellon's platform, we verified the monthly, quarterly, fiscal year-to-date, calendar year-to-date, 1-year, 3-year, 5-year and 10-year performance amounts for all investments listed on the December 31, 2023, Performance Summary Report. We reviewed supporting documentation to ensure that each VRS program director, the investment compliance officer and the CIO had properly documented approval of the Performance Summary Report.

Further, Internal Audit obtained the Asset Allocation Report as of December 31, 2023, and verified all program and subprogram balances agreed to BNY Mellon's information. We verified the asset class policy weights were properly calculated and allowable ranges agreed to the Board approved Defined Benefit Plan Investment Policy statement, which was last updated as of July 1, 2023.

Finally, we obtained the quarterly Performance Summary Report posted to VRS' public website as of December 31, 2023. Internal Audit verified all monthly, quarterly, fiscal year-to-date, calendar year-to-date, 1-year, 3-year, 5-year, 10-year, 15-year, 20-year and 25-year performance amounts for all investments listed on the report tied back to BNY Mellon's information.

## INVESTMENT MANAGER COMPENSATION

### Investment Management and Performance Fees

The core sample of 30 managers selected for confirmations was used to review investment manager compensation related to direct payments, indirect payments and hedge funds. An additional five accounts were selected from those accounts held in custody by BNY Mellon, for a total sample of 35 external managers accounts.

In addition, a sample of two performance fee transactions from a population of nine performance fee transactions occurring during the audit period was selected for review.

The fees paid, whether direct or indirect, were examined to determine if they were in accordance with contract terms, in agreement with supporting documentation, accurate and properly reviewed, approved and recorded.

### **Investment Manager Contracts and Related Documentation**

As part of reviewing investment management and performance fees, investment manager contracts and related documentation, such as invoices and manager statements, were obtained and reviewed. This documentation was compared to Investment Accounting's recalculations to verify their agreement.

### **Profit Sharing (Carried Interest)**

Processes for reviewing and compiling profit sharing information and associated legislative reporting requirements were discussed with members of the Investment department to determine whether there have been changes to the processes since the last examination.

Additionally, contract documentation for the third party reviewing and compiling VRS' profit sharing information was obtained to determine if there have been any changes to the scope of services provided.

## **MASTER CUSTODIAN COMPENSATION**

### **Trust and Custody Services Fees**

All domestic trust and custody fees paid for July 2023 through May 2024 were reviewed for compliance with VRS' contract with BNY Mellon and proper recording of the fees by both BNY Mellon and VRS.

### **Securities Lending Fees (Stock Loan Fees)**

A sample of two months from the six-month period ending December 31, 2023, was selected for review to determine if VRS' Fixed Income team's monthly securities lending monitoring activities supported the payment of stock loan fees in accordance with VRS' contract with BNY Mellon. Further, BNY Mellon securities lending reports were used to recalculate the stock loan fees for FY 2024 to determine if they agreed to VRS' contract with BNY Mellon.

### **Miscellaneous Fees**

Total miscellaneous fees paid over the past eight fiscal years as of May 2024, along with VRS' contract with BNY Mellon, were reviewed to gain a high-level understanding of how these fees have trended during this timeframe and to determine if there have been any significant fluctuations requiring additional explanation.

### **POPULAR ANNUAL FINANCIAL REPORT**

Internal Audit obtained VRS' FY 2023 PAFR and compared it to the FY 2023 ACFR for agreement. We also reviewed the PAFR to ensure it conformed with leading practices as recommended by the Government Finance Officers Association.

## **CONCLUSIONS**

### **GENERAL ASSESSMENT AND UNDERSTANDING**

Overall, we found VRS' investment balances and performance reporting to be accurate, complete, and in agreement with information recorded by BNY Mellon. Our audit also found compensation for external investment managers and the master custodian was paid in accordance with contractual requirements, accurate and properly recorded.

BNY Mellon's SOC reports and the Investment department's related reviews indicated appropriate monitoring of the services provided by BNY Mellon as VRS' master custodian. Additionally, VRS' current internal processes support the expected relevant complementary controls included in the SOC reports as a user entity of BNY Mellon's services.

### **CONFIRMATION OF INVESTMENT BALANCES**

We found no unexplained differences in the account balances recorded at BNY Mellon through our independent confirmation of the investment accounts as of December 31, 2023. In total, Internal Audit independently directly confirmed approximately \$60.6 billion or 55% of all VRS investments with external parties as of December 31, 2023.

We reviewed independently audited financial statements and/or independent auditor’s reports on internal controls related to assets held on behalf of VRS. In all cases, the auditor’s opinions were unqualified and no material internal control weaknesses were noted. The table below shows a summary of the accounting firms who provided independent audit opinions related to VRS investments.

**Auditor Reports Reviewed  
Summarized by Accounting Firm  
(in \$ billions)**

ACCOUNTING FIRM	DOLLAR VALUE COVERED	PERCENTAGE OF TOTAL
Deloitte & Touche, LLP	\$4.8	7.9%
Ernst & Young, LLP	6.2	10.2%
KPMG, LLP	42.6	70.3%
PricewaterhouseCoopers, LLP	6.9	11.4%
Other(s)	0.1	0.2%
<b>Grand Total</b>	<b>\$60.6</b>	<b>100.0%</b>

**RECONCILIATIONS**

We found all reconciliations reviewed as of December 31, 2023, appropriately agreed to source documentation. Additionally, we found adequate segregation of duties, as well as timely and proper approval of all reconciliations reviewed. Finally, we found all applicable policies and procedures reviewed surrounding the reconciliations to be reasonable.

**PERFORMANCE REPORTING**

Our review found all December 31, 2023, performance reports to be accurate and agree to data obtained independently by Internal Audit from BNY Mellon’s platform.

## INVESTMENT MANAGER COMPENSATION

### Investment Management and Performance Fees

We found all investment management and performance fees reviewed were supported by related documentation and complied with contract terms. Additionally, fees were accurately calculated and properly reviewed, approved and recorded, as applicable.

### Investment Manager Contracts and Related Documentation

Investment manager contracts and related documentation agreed to Investment Accounting's recalculations.

### Opportunity for Reflection and Alignment with Organizational Initiatives

As we completed our work, we noted instances where Investment Accounting was provided excerpts, rather than complete contracts and related documentation. As Investment Accounting did not have access to the contract files, additional documentation was requested and provided from other departments to complete our review of the fee recalculation.

With an organization-wide initiative underway to update file management resources as well as data retention and disposition practices and policies, the Investment department has an opportunity to partner with VRS' records management program coordinator and re-evaluate how its investment manager contracts are generated, organized, retained and accessed.

Through collaborative discussions in conjunction with this initiative, the Investment department may realize operational benefits for the various partners in the investment administration process related to investment manager contract document and access management practices and policies. As a result of these discussions, they may also identify additional tools to meet those operational needs. Finally, in addition to discerning the best path to effectively and efficiently assist these partners, the Investment department will support VRS' organization-wide initiative to ensure compliance with Library of Virginia's records management rules and regulations.

The Investment department has initiated similar conversations relative to the management of investment related vendor agreements, purchasing a contract management tool and evaluating its use for these contracts.

We commend the Investment department for their proactive steps regarding these investment related vendor agreements.

### **Profit Sharing (Carried Interest)**

Since the last examination, there have been no significant changes to VRS processes for reviewing and compiling profit sharing information or to associated legislative reporting requirements. Additionally, review of the contract documentation for the third party reviewing and compiling VRS' profit sharing information determined there have been no changes to the scope of services provided.

## **MASTER CUSTODIAN COMPENSATION**

### **Trust and Custody Services Fees**

All domestic trust and custody fees reviewed complied with VRS' contract with BNY Mellon and were properly recorded by BNY Mellon and VRS.

### **Securities Lending Fees (Stock Loan Fees)**

The Fixed Income team's monthly securities lending monitoring activities supported the payment of stock loan fees in accordance with VRS' contract with BNY Mellon. Additionally, stock loan fees for FY 2024 were calculated in accordance with VRS' contract with BNY Mellon.

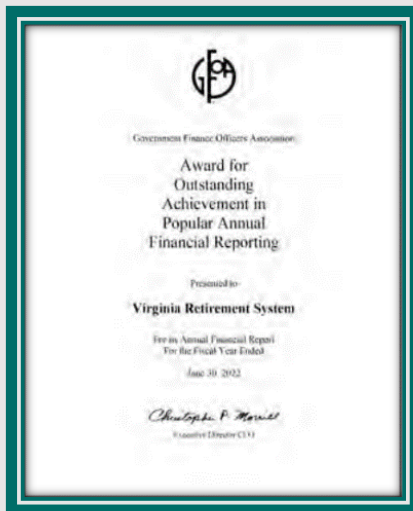
### **Miscellaneous Fees**

The total miscellaneous fees paid from July 2016 through May 2024, along with review of VRS' contract with BNY Mellon, provided information on how these fees have trended. No significant fluctuations were identified.

## **POPULAR ANNUAL FINANCIAL REPORT**

Our review found VRS' FY 2023 PAFR accurately agreed with the information presented in the corresponding ACFR.

We commend VRS management for receiving the Award for Outstanding Achievement in Financial Reporting for its PAFR for the fiscal year ended June 30, 2023. FY 2023 is the eighth consecutive year of publication for which VRS was eligible and actually received this prestigious recognition.





## **FOLLOW-UP ON PRIOR REPORTS**

There were no outstanding audit recommendations to consider.

## **RECOMMENDATIONS**

We have no written recommendations to offer as a result of our review.

## **MANAGEMENT EXIT CONFERENCE**

This report was distributed to Ms. Bishop, Mr. Junkin and other members of VRS' management and staff for review and comment. They expressed substantial agreement with this report.

As there are no written recommendations, a written response from management is not required.

## REPORT DISTRIBUTION

Submitted to the Audit and Compliance Committee at its meeting held  
September 18, 2024.

### MEMBERS OF THE AUDIT AND COMPLIANCE COMMITTEE

J. Brandon Bell, II, Committee Chair, Board Vice Chair  
John M. Bennett, Vice Committee Chair  
A. Scott Andrews, Board Chair

WITH COPIES TO:

#### OTHER MEMBERS OF THE BOARD OF TRUSTEES

Lawrence A. Bernert, III  
Michael P. Disharoon  
Susan T. Gooden  
Jessica L. Hood  
Matthew James  
Lindsey K. Pantele

#### VRS EXECUTIVE LEADERSHIP

Patricia S. Bishop  
Andrew H. Junkin  
Members of the  
Executive Committees

#### AUDITOR OF PUBLIC ACCOUNTS

Staci A. Henshaw

#### JLARC

Kimberly A. Sarte  
Jamie Bitz

### PRINCIPAL AUDITOR IN-CHARGE

Joshua Fox, CIA, CFE, CIDA

#### AUDIT SUPERVISOR

Kristy Scott, CPA, CISA, CIA




# Assurance Reviews



**Date:** September 9, 2024

**To:** Trish Bishop, Director

**From:** Jennifer Schreck, Internal Audit Director   
Krystal Groff, Principal Auditor

**Subject:** Review of FY2024 Agency Performance Outcomes and Operational Measures

---

As part of our annual process, Internal Audit has reviewed the status of the FY2024 Agency Performance Outcomes (APOs) and Operational Measures (OMs), as set forth by management for the fiscal year ended June 30, 2024. The purpose of our review was to obtain reasonable, but not absolute assurance, the status of such outcomes and measures were fairly represented in management's status reports.

Based upon our review of available documentation, attendance at VRS Board and Committee meetings and discussions with various VRS personnel, nothing came to our attention to cause us to question the representations set forth by management with respect to either the APOs or the OMs. Accordingly, we have no reason to believe that the APOs and OMs were not appropriately represented as satisfied for the fiscal year ended June 30, 2024.


I would like to commend the management team and staff for their accomplishments this past year. Please feel free to share this information with the Administration, Finance and Talent Management Committee as well as the full Board of Trustees, as you deem appropriate.



**Date:** September 12, 2024

**To:** Paula Reid, Director of Human Resources

**CC:** Trish Bishop, Director  
Andrew Junkin, Chief Investment Officer

**From:** Jennifer Schreck, Internal Audit Director   
Joshua Fox, Principal Auditor

**Subject:** **Review of FY2024 Investment Incentive Compensation**

---

Internal Audit has reviewed the proposed Investment Incentive Compensation for the fiscal year ended June 30, 2024. As presented, the Investment Incentive Compensation amount, in aggregate, is **\$10,510,344.60**, where a qualitative multiplier of **1.0** is used for the Chief Investment Officer.

We confirmed all Investment Professionals met the eligibility requirements as outlined in the Investment Professionals' Pay Plan. Further, we found the aggregate amount and the proposed individual payment amounts were accurately computed in accordance with the Investment Professionals' Pay Plan effective **June 10, 2024**.

Please share this information with the Administration, Finance and Talent Management Committee as well as the Board of Trustees, as you deem appropriate.

# Audit and Compliance Committee Charter Review

**COMMITTEE CHARTER**  
**AUDIT AND COMPLIANCE COMMITTEE**

PURPOSE

The purpose of the Audit and Compliance Committee (Committee) is to review matters relating to or affecting internal and external audit, including, but not limited to, VRS' financial reporting process, systems of internal control, auditing procedures and process, and process for monitoring compliance with laws, regulations, and the Code of Conduct, and to submit reports or make recommendations to the full Board regarding those matters.

AUTHORITY

The Committee is authorized to request, gather, and consider whatever information it deems relevant to the matters brought before it, and to report its findings or recommendations on those matters to the Board. The Committee is not empowered to take any further or independent action unless such action is specifically authorized or directed by the Board.

DUTIES AND RESPONSIBILITIES

To fulfill the purpose for which it was established, the Committee shall perform the following:

1. Monitor internal and external audit functions and report to the Board following each Committee meeting on the reports and matters presented to or considered by the Committee.
2. ~~Review and approve changes to the Internal Audit Department Charter, assess its continued alignment with the Board's mandate for the internal audit function as well as the scope and types of internal audit services to be provided. As necessary, approve changes to the Internal Audit Department Charter.~~
3. ~~Communicate the Board's perspectives on VRS' strategies, objectives, and risks to assist the Audit Director with determining internal audit priorities.~~
2. ~~Review the effectiveness of internal and external auditing methods including coordination of efforts. (Note: While members of the Committee are expected to~~

**Commented [JS1]:** Changes are proposed to meet the following needs:  
1) Consistency with other board governance document language. (Updates by members of the Policy and Compliance department)  
2) Conformance with Global Internal Auditing Standards. (see referenced sections of *The Standards*.)  
3) Recognition of relationship between certain responsibilities, leading to a re-ordering of certain topics to reflect their linkage.

**Commented [SJ2]:** Conformed the introductory language across all committee charters to clarify that all duties and responsibilities are performed on an as needed basis unless a frequency is otherwise specified.

**Commented [JS3]:** Standard 6.1

**Commented [JS4]:** Standard 8.1

~~become sufficiently familiar with the accounting practices of VRS so that they are able to do this, they are not expected to become accounting experts. They may, as necessary and in good faith, rely upon the professional accounting expertise of the Audit Director and of the external auditors.)~~

- ~~3.4. Review and make recommendations to the Board regarding both the risk-based annual and long-range audit plans developed by the Audit Director, provide feedback in response to such plans to the Audit Director, and make recommendations to the Board regarding such audit plans, and provide feedback in response thereto.~~
- ~~4.5. Monitor progress of work on the annual work-audit plan through review of the Audit Director's semi-annual progress reports, and reports of any revisions made to the work-audit plan, making recommendations to the Board for action regarding any significant revisions to the audit plan.~~
- ~~5. Receive and review reports of the Audit Director and report on same to the Board with recommendations, if any, for necessary action.~~
- ~~6. Ensure the internal audit department has unrestricted access to all VRS activities, records, properties, and personnel applicable to the area under review. -The Board has endorsed this right and has resolved that the scope of internal audit activities may not be restricted by actions of management.~~
- ~~6.7. Make appropriate inquiries of management and the Audit Director to determine whether there are any inappropriate scope, access, authority or resource limitations which impact the department's ability to fulfill its responsibilities effectively and make recommendations to the Board, if any, for necessary action.~~
- ~~8. Receive and review reports of the Audit Director and report on same make recommendations to the Board with recommendations, if as necessary any, for necessary action.~~
- ~~7.9. Consider the effectiveness of the VRS' internal control system, including information technology security and control. Gain an understanding of the effectiveness of VRS' governance, risk management, and control processes based on the results of internal audit engagements and discussions with management.~~
- ~~8.10. Receive and review reports from the Audit Director regarding the effectiveness and sufficiency of the internal audit department resources, including the appropriateness-sufficiency of the department's funding and organizational structure to fulfill the internal audit mandate and plans. Determine-As appropriate, work with management and the Audit Director to make recommendations to the Board through the Administration, Finance and Talent Management Committee whether regarding requests by the Audit Director for changes in the funding and staffing of that the department should be submitted to the Administration and Personnel, Finance and Talent Management Committee.~~
- ~~9.11. Monitor the status of management's progress in response to audit recommendations. Review annual report of the Audit Recommendation Follow Up~~

**Commented [JS5]:** Revised "Duties and Responsibilities, Item 18" better capture the intent of new *The Standards*. Therefore this item is no longer necessary.

**Commented [JS6]:** Standards 6.3

**Commented [JS7]:** Standards 8.1, 9.4

**Commented [JS8]:** Standard 6.3

**Commented [JS9]:** Standard 8.1

**Commented [JS10]:** Standard 8.2

System and monitor status of management's progress in response to audit recommendations.

10. Review and approve changes to the Internal Audit Department Charter.
12. Ensure a quality assurance and improvement program has been established for the internal audit function and review the results annually.
- 11.13. Ensure that an independent, full scope external quality assurance review of the internal audit department is performed at least once every five years, review the report of such review. As appropriate, recommend to the Board what, if any, corrective actions are necessary relative to the governance of the function, and monitor the implementation of such any corrective actions as are mandated by the Board undertaken as a result of the review.
12. Ensure the internal audit department has unrestricted access to all VRS activities, records, properties, and personnel applicable to the area under review. The Board has endorsed this right and has resolved that the scope of internal audit activities may not be restricted by actions of management.
- 13.14. Provide the opportunity for meetings between the Committee and the Audit Director whenever the Committee or Audit Director finds such to be necessary.
15. Periodically review and approve the requirements necessary for the Audit Director to manage the internal audit function and identify the necessary qualifications, experience, and competencies to fulfill the approved roles and responsibilities of the position.
16. Approve the internal audit function's performance objectives at least annually.
17. Assess the effectiveness and efficiency of the internal audit function by:
  - a. Reviewing the internal audit function's performance objectives, including conformance with the Standards, laws and regulations; ability to meet the internal audit mandate, and progress towards completion of the internal audit plan.
  - b. Considering the results of the internal audit function's quality assurance and improvement program.
  - c. Determining the extent to which the internal audit function's performance objectives are being met.
18. Review and make recommendations to the Board through the Administration, Finance and Talent Management Committee regarding the performance of the Audit Director.
- 14.
19. Discuss with the Audit Director and senior management any disagreements the Audit Director has with senior management or other stakeholders on the scope, findings or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities, and provide support as necessary to enable the Audit Director to perform the responsibilities outlined in

**Commented [JS11]:** Standard 8.1  
These changes focus on the monitoring responsibility removing the name of the tool used to facilitate it.

**Commented [JS12]:** Moved to item #3 above.

**Commented [JS13]:** Standards 8.3, 8.4

**Commented [JS14]:** Moved to item #7 above

**Commented [JS15]:** Standard 7.2

**Commented [JS16]:** Standard 8.3

**Commented [JS17]:** Standards 7.1, 8.3, 12.2

- the internal audit mandate defined in the Internal Audit Department Charter, including, if necessary, providing a recommendation to the Board for action.
- ~~15.~~ In cases where the Director or the Chief Investment Officer disagrees with an audit recommendation, the matter shall be presented to the Committee, which shall make an initial determination as to whether the audit recommendation requires management action or should be deleted and. The Committee will present provide a recommendation that determination to the Board for a final decision.
- ~~16.~~ Receive and review reports from management regarding the process for communicating the VRS Code of Conduct to agency personnel, and for monitoring compliance therewith. This includes the processes and compliance mechanisms in place for both administrative and investment department personnel.
- ~~17.~~ Conduct entrance and exit conferences with the Auditor of Public Accounts, and report to the Board on the scope and substance of those meetings.
- ~~18-20.~~ As necessary, request permission from the full Board to retain independent counsel (through the Office of the Attorney General), accountants, or others to advise the Committee.
21. Conduct entrance and exit conferences with the Auditor of Public Accounts, or any other external assurance provider, regarding assurance services provided and report to the Board on the scope and substance of those meetings.
22. Review the annual financial statements and other sections of the annual report, and consider whether they are complete and consistent with information known to Committee members, and, to the best of their knowledge, reflect appropriate accounting principles.
23. Receive and review reports of the Auditor of Public Accounts and or any other external auditors assurance provider, and if necessary, report on same to the Board with make recommendations to the Board, if any, for necessary regarding actions to be taken. Review the annual financial statements and other sections of the annual report, and consider whether they are complete and consistent with information known to Committee members, and, to the best of their knowledge, reflect appropriate accounting principles. Have
24. Ensure management and the external auditors review all matters required to be communicated to the Committee under generally accepted government auditing standards. Allow for meetings with the
- ~~19-25.~~ Provide time during Committee meetings for external auditors to discuss any matters that the Committee or auditors believe should be discussed.
- ~~20-26.~~ Periodically consider the desirability of an audit by an independent accounting firm and, if such audit is deemed necessary, present such a recommendation to the Board together with a list of candidate firms.
- ~~21-27.~~ Perform such other duties when directed to do so by the Board.

**Commented [JS18]:** Language updated based on Standard 8.1 which acknowledges there are other potential areas for disagreement, besides audit recommendations, that may exist and impact the effectiveness of the internal audit function.

**Commented [JS19]:** Moved to item #21 below.

**Commented [JS20]:** Moved to item #22 above.



COMPOSITION

The Committee is composed of at least three (3) Board members appointed by the chairperson of the Board, subject to approval by the Board.

Each member is appointed for a two-year term, and may be reappointed for additional two-year terms.

OFFICERS

*Chairperson*

The ~~VRS Board~~ chairperson of the Board shall appoint the chairperson of the Committee, subject to approval by the Board.

The Committee chairperson is appointed for a two-year term, and may be reappointed for additional two-year terms.

The chairperson ~~is charged with~~ has the following duties:

1. Facilitating the operation of the Committee meetings;
2. Reviewing proposed agendas for Committee meetings;
3. Presiding over meetings of the Committee;
4. Reporting to the Board on the matters considered by the Committee, and the recommendations of the Committee; and
5. Performing such additional duties as are required to facilitate the Committee's fulfillment of its responsibilities.

*Vice-Chairperson*

The Committee shall elect its vice-chairperson at the first meeting following the appointment or reappointment of a chairperson, or at the first meeting following such time as a sitting vice-chairperson becomes unable or unwilling to complete ~~his or her~~ their term.

The term of the vice-chairperson shall commence upon election and shall terminate at the first meeting of the Committee following the appointment or reappointment of a Committee chairperson.

In the event of the absence or incapacity of the Committee chairperson, the vice-chairperson shall preside at meetings of the Committee and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

### Secretary

The Audit Director, or the Audit Director's designee, shall act as secretary to the Committee. ~~The Audit Director shall continue to serve as secretary until such time as he or she is unable or unwilling to continue to do so, or until such time as the Committee appoints another secretary.~~

**Commented [JS21]:** As with other governance documents, this language is being deleted because an alternative secretary is already designated and it is not anticipated the need for this secondary action would ever arise.

The secretary has the following duties:

1. Help the chairperson develop the agenda for Committee meetings;
2. Notify Committee members of meetings;
3. Coordinate and distribute information to Committee members;
4. Act as liaison between the Committee and VRS staff;
- 4-5. ~~Serve as liaison between the Committee and the Auditor of Public Accounts;~~
- 5-6. Coordinate matters on the agenda and presentations for the Committee; and
- 6-7. Maintain the minutes and records of all Committee meetings.

**Commented [JS22]:** Added to acknowledge current practice.

### CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all Committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees. ~~Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in this charter.~~
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of the members of the Committee shall constitute a quorum at meetings of the Committee. ~~For the purposes of determining the presence of a quorum, an abstention or disqualification shall be considered an absence. However, any member of the Board who is not a member of the Committee but is present at a Committee meeting may serve as an alternate to an absent member of the Committee for purposes of constituting a quorum, and any such participation shall not be considered voting by proxy. Moreover, any~~ Any Board member who is not a member of the Committee but is present at a Committee meeting shall have all the rights and privileges afforded to a Committee member while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy. The ~~presence of any~~

**Commented [JS23]:** Added procedural language relating to small boards for consistency across all charters and the Board Governance Policy.

**Commented [SJ24]:** Removed language indicating that an abstention vote be considered an absence for purposes of establishing a quorum. This is atypical for board procedures. Usually an abstention does not impact a quorum. Consistent change across all committees.

~~alternate at a Committee meeting and the~~ participation by any Board member who is not a member of the Committee shall be recorded in the minutes of the Committee meeting.

4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those Committee members present and voting at a Committee meeting.
5. The Committee chairperson will seek at all times to develop a consensus of opinion among Committee members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the Committee chairperson will present the range of opinions and their rationale to the Board.
6. The Committee chairperson, vice-chairperson or, in their absence, a staff designee, will report to the Board on the content and results of each Committee meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
7. ~~The Committee will generally shall meet at least~~ four times per year.

**Commented [SJ25]:** Removed unnecessary language relating to alternate members. The provision is not needed because any member of the Board may attend any committee meeting and be granted the rights of a member of the committee.

**Commented [SJ26]:** Added language to clarify the vice-chair or a staff designee can give the committee report to the Board in the chair's absence.

**Commented [JS27]:** Adjusted to align with language in other charters and acknowledge flexibility when circumstances prevent the committee from meeting four times per year or require the committee to meet more frequently.

#### CHANGES IN THE CHARTER

The Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Such revisions, once approved by a majority vote of the Committee, shall be submitted to the Board for final approval. If approved by a two-thirds vote of the Board, such revisions shall be incorporated into and made a part of this charter.

## **COMMITTEE CHARTER**

### **AUDIT AND COMPLIANCE COMMITTEE**

#### PURPOSE

The purpose of the Audit and Compliance Committee (Committee) is to review matters relating to or affecting internal and external audit, including, but not limited to, VRS' financial reporting process, systems of internal control, auditing procedures and process, and process for monitoring compliance with laws, regulations, and the Code of Conduct, and to submit reports or make recommendations to the full Board regarding those matters.

#### AUTHORITY

The Committee is authorized to request, gather, and consider whatever information it deems relevant to the matters brought before it, and to report its findings or recommendations on those matters to the Board. The Committee is not empowered to take any further or independent action unless such action is specifically authorized or directed by the Board.

#### DUTIES AND RESPONSIBILITIES

To fulfill the purpose for which it was established, the Committee shall perform the following:

1. Monitor internal and external audit functions and report to the Board following each Committee meeting on the reports and matters presented to or considered by the Committee.
2. Review the Internal Audit Department Charter, assess its continued alignment with the Board's mandate for the internal audit function as well as the scope and types of internal audit services to be provided. As necessary, approve changes to the Internal Audit Department Charter.
3. Communicate the Board's perspectives on VRS' strategies, objectives, and risks to assist the Audit Director with determining internal audit priorities.

4. Review the risk-based annual and long-range audit plans developed by the Audit Director, provide feedback in response to such plans to the Audit Director, and make recommendations to the Board regarding such audit plans.
5. Monitor progress of work on the annual audit plan through review of the Audit Director's semi-annual progress reports, and reports of any revisions made to the audit plan, making recommendations to the Board for action regarding any significant revisions to the audit plan.
6. Ensure the internal audit department has unrestricted access to all VRS activities, records, properties, and personnel applicable to the area under review. The Board has resolved that the scope of internal audit activities may not be restricted by actions of management.
7. Make appropriate inquiries of management and the Audit Director to determine whether there are any inappropriate scope, access, authority or resource limitations which impact the department's ability to fulfill its responsibilities effectively and make recommendations to the Board, if any, for necessary action.
8. Receive and review reports of the Audit Director and make recommendations to the Board, as necessary, for action.
9. Gain an understanding of the effectiveness of VRS' governance, risk management, and control processes based on the results of internal audit engagements and discussions with management.
10. Receive and review reports from the Audit Director regarding the effectiveness and sufficiency of the internal audit department resources, including the sufficiency of the department's funding and organizational structure to fulfill the internal audit mandate and plans. As appropriate, work with management and the Audit Director to make recommendations to the Board through the Administration, Finance and Talent Management Committee regarding requests for changes in the funding and staffing of the department.
11. Monitor the status of management's progress in response to audit recommendations.
12. Ensure a quality assurance and improvement program has been established for the internal audit function and review the results annually.
13. Ensure an independent, external quality assurance review of the internal audit department is performed at least once every five years, review the report of such review. As appropriate, recommend to the Board what, if any, corrective actions are necessary relative to the governance of the function, and monitor the implementation of any corrective actions undertaken as a result of the review.
14. Provide the opportunity for meetings between the Committee and the Audit Director whenever the Committee or Audit Director finds such to be necessary.
15. Periodically review and approve the requirements necessary for the Audit Director to manage the internal audit function and identify the necessary qualifications, experience, and competencies to fulfill the approved roles and responsibilities of the position.

16. Approve the internal audit function's performance objectives at least annually.
17. Assess the effectiveness and efficiency of the internal audit function by:
  - a. Reviewing the internal audit function's performance objectives, including conformance with the Standards, laws and regulations; ability to meet the internal audit mandate, and progress towards completion of the internal audit plan.
  - b. Considering the results of the internal audit function's quality assurance and improvement program.
  - c. Determining the extent to which the internal audit function's performance objectives are being met.
18. Review and make recommendations to the Board through the Administration, Finance and Talent Management Committee regarding the performance of the Audit Director.
19. Discuss with the Audit Director and senior management any disagreements the Audit Director has with senior management or other stakeholders on the scope, findings or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities, and provide support as necessary to enable the Audit Director to perform the responsibilities outlined in the internal audit mandate defined in the Internal Audit Department Charter, including, if necessary, providing a recommendation to the Board for action.
20. Receive and review reports from management regarding the process for communicating the VRS Code of Conduct to agency personnel, and for monitoring compliance therewith. This includes the processes and compliance mechanisms in place for both administrative and investment department personnel. As necessary, request permission from the Board to retain independent counsel (through the Office of the Attorney General), accountants, or others to advise the Committee.
21. Conduct entrance and exit conferences with the Auditor of Public Accounts, or any other external assurance provider, regarding assurance services provided and report to the Board on the scope and substance of those meetings.
22. Review the annual financial statements and other sections of the annual report, and consider whether they are complete and consistent with information known to Committee members.
23. Receive and review reports of the Auditor of Public Accounts or any other external assurance provider, and if necessary, make recommendations to the Board regarding actions to be taken.
24. Ensure management and the external auditors review all matters required to be communicated to the Committee under generally accepted government auditing standards.
25. Provide time during Committee meetings for external auditors to discuss any matters that the Committee or auditors believe should be discussed.

26. Periodically consider the desirability of an audit by an independent accounting firm and, if such audit is deemed necessary, present such a recommendation to the Board together with a list of candidate firms.
27. Perform such other duties when directed to do so by the Board.

#### COMPOSITION

The Committee is composed of at least three (3) Board members appointed by the chairperson of the Board, subject to approval by the Board.

Each member is appointed for a two-year term, and may be reappointed for additional two-year terms.

#### OFFICERS

##### *Chairperson*

The chairperson of the Board shall appoint the chairperson of the Committee, subject to approval by the Board. The Committee chairperson is appointed for a two-year term, and may be reappointed for additional two-year terms.

The chairperson has the following duties:

1. Facilitating the operation of the Committee meetings;
2. Reviewing proposed agendas for Committee meetings;
3. Presiding over meetings of the Committee;
4. Reporting to the Board on the matters considered by the Committee and the recommendations of the Committee; and
5. Performing such additional duties as are required to facilitate the Committee's fulfillment of its responsibilities.

##### *Vice-Chairperson*

The Committee shall elect its vice-chairperson at the first meeting following the appointment or reappointment of a chairperson, or at the first meeting following such time as a sitting vice-chairperson becomes unable or unwilling to complete their term.

The term of the vice-chairperson shall commence upon election and shall terminate at the first meeting of the Committee following the appointment or reappointment of a Committee chairperson.

In the event of the absence or incapacity of the Committee chairperson, the vice-chairperson shall preside at meetings of the Committee and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

#### *Secretary*

The Audit Director, or the Audit Director's designee, shall act as secretary to the Committee.

The secretary has the following duties:

1. Help the chairperson develop the agenda for Committee meetings;
2. Notify Committee members of meetings;
3. Coordinate and distribute information to Committee members;
4. Act as liaison between the Committee and VRS staff;
5. Serve as liaison between the Committee and the Auditor of Public Accounts;
6. Coordinate matters on the agenda and presentations for the Committee; and
7. Maintain the minutes and records of all Committee meetings.

#### CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all Committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees. Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in this charter.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of the members of the Committee shall constitute a quorum at meetings of the Committee. Any Board member who is not a member of the Committee but is present at a Committee meeting shall have all the rights and privileges afforded to a Committee member while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy. The participation by any Board member who is not a member of the Committee shall be recorded in the minutes of the Committee meeting.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those Committee members present and voting at a Committee meeting.



5. The Committee chairperson will seek at all times to develop a consensus of opinion among Committee members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the Committee chairperson will present the range of opinions and their rationale to the Board.
6. The Committee chairperson, vice-chairperson or, in their absence, a staff designee, will report to the Board on the content and results of each Committee meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
7. The Committee will generally meet four times per year.

#### CHANGES IN THE CHARTER

The Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Such revisions, once approved by a majority vote of the Committee, shall be submitted to the Board for final approval. If approved by a two-thirds vote of the Board, such revisions shall be incorporated into and made a part of this charter.

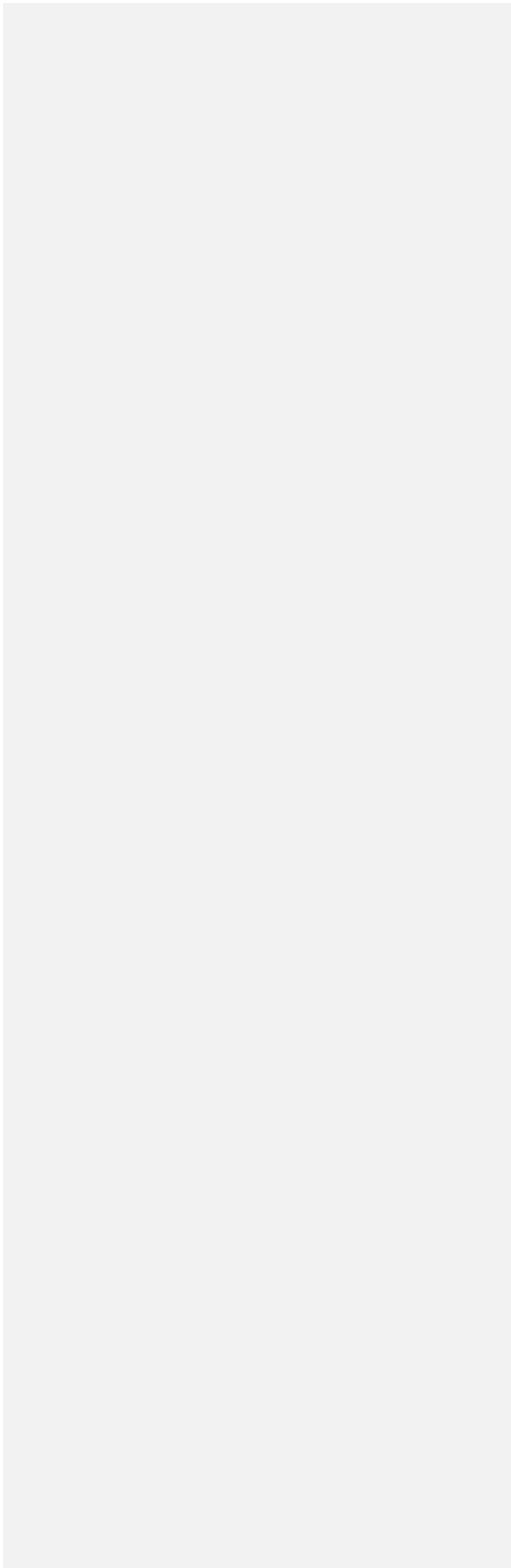
# Internal Audit Charter Review

**INTERNAL AUDIT CHARTER**

**VIRGINIA RETIREMENT SYSTEM**

**Internal Audit Charter**

**September 7, 2017** \_\_\_\_\_ **, 2024**



# INTERNAL AUDIT CHARTER

## TABLE OF CONTENTS

A.	INTRODUCTION.....	1	
B.	INTERNAL AUDIT DEPARTMENT		
1.	Foreword .....	1	
2.	Purpose .....	1	
3.	<del>Global Internal Audit Standards for the Professional Practice of Internal Auditing</del> .....	<del>2</del>	
4.	Authority .....	2	
5.	Scope of Internal Audit Activities.....	3	
6.	Responsibilities .....	4	
7.	<u>Independence, Organizational Position and Reporting Relationships.....</u>	<u>5</u>	
7.8.	<u>Ethics, Professionalism and Objectivity, and Professional Skepticism .....</u>	<u>55</u>	
8.9.	<u>Involvement in System Planning and Development.....</u>	<u>7</u>	
9.10.	<u>.....</u>	<u>7</u>	C
	operation with External Auditors.....	7	
10.11.	<u>.....</u>	<u>77</u>	A
	udit Plan Risk Assessment Process .....	77	
11.12.	<u>.....</u>	<u>8</u>	I
	nvestigations.....	8	
12.13.	<u>.....</u>	<u>9</u>	P
	ersonnel and Outside Contractors .....	9	
13.14.	<u>.....</u>	<u>9</u>	C
	ontinuing Education.....	9	
14.15.	<u>.....</u>	<u>109</u>	Q
	uality Assurance and Improvement Program .....	109	

INTERNAL AUDIT CHARTER

~~15,16~~ ..... A

Audit Recommendation ~~Follow Up System~~Monitoring ..... 10

C. CHANGES IN THE CHARTER ..... ~~110~~

# INTERNAL AUDIT CHARTER

## A. INTRODUCTION

The Board of Trustees (~~the “Board”~~) of the Virginia Retirement System (“VRS”) has formed an Audit and Compliance Committee (“Committee”) and established an Internal Audit Department (“Department”) whose reporting responsibility is to the Board through the Committee. ~~The Committee assists the full Board in considering internal and external audit matters as defined in the Board’s Governance Policy and Committee’s Charter.~~ The internal audit function receives its mandate, including its authority, from the Board and the Audit Director must provide the Board and senior management the information necessary to establish the internal audit mandate. The Internal Audit Charter (~~the “Charter”~~) is intended to define the Department’s mandate, including its purpose, authority, responsibility, and position within VRS and to provide guidance in the execution of its duties.

## B. INTERNAL AUDIT DEPARTMENT

### 1. Foreword

The Charter ~~neither includes nor is it intended to include all of the Department's duties or responsibilities, as they may exist from time to time.~~ Serves as a foundational document in the organization and administration of the Department by the Audit Director and provides a basis for the evaluation of the performance of the Department and the Audit Director by the Committee.

**Commented [JS1]:** Moved here from Section B.2 below

### 2. Purpose and Mission

The purpose of the internal audit function is to strengthen VRS’ ability to create, protect, and sustain value by providing the Board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

**Commented [JS2]:** The Global Internal Audit Standards shifted from having a Purpose and Mission Statement to having an extended Purpose statement replacing the mission and combining elements of the definition of internal auditing and the mission. The Purpose as defined under Domain I of the Standards has been refined here to reflect the purpose of VRS’ internal audit function. Its inclusion here is mandated for conformance with the Standards.

The internal audit function enhances VRS’:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

VRS’ internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with recognized standards.
- The internal audit function is independently positioned with direct accountability to the Board.

## INTERNAL AUDIT CHARTER

- Internal auditors are free from undue influence and committed to making objective assessments.

The purpose of the Department is to provide independent, objective assurance and consulting services designed to add value and improve VRS's operations. The mission of the Department is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Department helps VRS accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

This Charter:

Provides a basis for the evaluation of the performance of the Department by the Committee of the Board; and,

Serves as a foundational document in the organization and administration of the Department.

**Commented [JS3]:** Both of these items were moved to Section B.1 Forward

### 3. Global Internal Audit Standards for the Professional Practice of Internal Auditing

#### Commitment to Adhering to the Global Internal Audit Standards

The Department will govern itself and its audit activities by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards (Standards) and Topical Requirements, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Audit Director will report periodically-annually to senior management and the Committee regarding the Department's conformance to the Code of Ethics and with the Standards, which will be assessed through a quality assurance and improvement program.

#### Code of Ethics and Rules of Conduct/Commitment to Ethics and Professionalism:

Domain II: Ethics and Professionalism of the Global Internal Audit Standards. The Code of Ethics states the principles and expectations governing behavior of individuals and internal organizations-audit functions in the conduct of internal auditing. The Rules of Conduct describe the minimum requirements for conduct and behavioral expectations rather than specific activities. In adhering to the Standards, the Department shall adhere to these behavioral expectations. Code of Ethics and Rules of Conduct defined by The Institute of Internal Auditors as well as the VRS Code of Ethics.

**Commented [JS4]:** Updated to reflect language used in the Global Internal Audit Standards vs that of the International Standards for the Professional Practice of Internal Auditing, including the shift away from the use of a Code of Ethics and Rules of Conduct.

### 4. Authority

The internal audit function receives its mandate, including its authority, from the Board and the Audit Director must provide the Board and senior management the information necessary to establish the internal audit mandate. The internal audit function's authority

## INTERNAL AUDIT CHARTER

~~is realized through its direct reporting relationship to the Board through the Committee as described in the Board Governance Policy. The Department shall report directly to the Committee.~~

**Commented [JS5]:** Updated to acknowledge the department's authority is realized through its reporting relationship as emphasized in the Global Internal Audit Standards.

To establish, maintain, and assure that the Department has sufficient authority to fulfill its duties, the Board has delegated specific duties and authority to the Audit Director and oversight responsibilities to the Committee within the Board Governance Policy and Committee Charter.

The Audit Director shall have direct access to the Director, Chief Investment Officer, and to the Committee and the Board in any instance where the Audit Director believes such access is needed to fulfill the stated objectives of the Department.

The Department has unrestricted access to all VRS activities, records, ~~information, physical property~~ies, and personnel ~~applicable to the area under review~~pertinent to fulfilling internal ~~audit responsibilities~~. The Board has endorsed this right in the Board Governance Policy and Committee Charter and has resolved that the scope of internal audit activities not be restricted by actions of management.

~~Internal auditors are accountable for the confidentiality and safeguarding of records and information in their possession and will make appropriate arrangements. The Department recognizes that certain records of VRS are confidential in nature and special arrangements will be made when examining such records or information.~~

**Commented [JS6]:** Updated to emphasize the responsibility to maintain confidentiality called out in Domain II, Principle 5, Standards 5.1 and 5.2.

Except for direction from the Committee, the Audit Director is free to allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques ~~and issue communications~~ required to accomplish ~~audit objectives~~the function's objectives.

### 5. **Scope and Types of Internal Audit Activities**

~~The scope of internal audit services covers the breadth of the organization, including all of VRS' activities, assets, and personnel. In practice, the scope of work performed is realized through the audit plan risk assessment process discussed in Section B.11 below and governed by the Committee and Board through their respective recommendation and approval of the Long-Range and Annual Audit Plans.~~

**Commented [JS7]:** Standard 6.1

#### *Assurance Services*

The scope of internal audit ~~activities~~assurance services encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for VRS. Internal audit assessments include evaluating whether:

**Commented [JS8]:** Language to added to clarify the potential scope of work while acknowledging the focus of actual efforts will be directed by the committee through their approval of the department's audit plans which are built through the consideration of resources, risk and identified organizational priorities.



## INTERNAL AUDIT CHARTER

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- The actions of VRS employees, ~~and~~ contractors or other relevant parties comply are in compliance with VRS' policies and procedures, and applicable laws, regulations, and governance standards.
- Resources and assets are acquired economically, used efficiently, and adequately protected.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out efficiently and effectively.
- Quality and continuous improvement are fostered in the organization's control processes.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact VRS.

The Audit Director also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers, as needed. As used herein, the term "external" shall refer to representatives of, or the activities of the Auditor of Public Accounts for the Commonwealth of Virginia, independent Certified Public Accountants and auditors from organizations (governmental or commercial) outside VRS.

Opportunities for improving governance, risk management, and internal control processes; profitability; and the organization's image may be identified during engagements—These opportunities will be communicated to the appropriate level of management.

While the activities of the Department shall involve the aforementioned activities, the Department's work shall focus primarily upon "financial and compliance" type issues due to the primarily financial nature of VRS.

### Advisory and Other Services

The Department may perform advisory and related service activities, the nature and scope of which will be agreed upon with management, provided the Department does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

## 6. Responsibilities

## INTERNAL AUDIT CHARTER

The Audit Director has the responsibility to:

- a. Establish and ensure adherence to policies and procedures designed to guide the Department.
- b. Consider emerging trends and successful practices in internal auditing in the development of such policies and procedures.
- ~~a-c.~~ Ensure adherence to VRS's applicable policies and ~~procedures, unless~~ procedures unless such policies and procedures conflict with the Charter (any such conflicts will be resolved or otherwise communicated with senior management and the Committee).; ~~and;~~
- d. Ensure conformance of the Department with the *Standards*, with the following qualification. If the Department is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Audit Director will resolve or document any such conflicts and communicate such actions to the Committee and senior management~~ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.~~
- ~~b-e.~~ Ensure internal audit engagements are performed, documented and communicated in accordance with the *Standards* and laws and/or regulations.

The Audit Director shall meet with management and the Committee periodically to discuss:

- a. Results of audit engagements or other activities.;
- b. The Department's audit plans and performance relative to its plans, including any revisions to the internal audit plans in response to changes in VRS' business, risks, operations, programs, systems and controls.;
- c. Resource requirements and the impact of resource limitations on the audit plans.;
- d. Relationships between the Department and external auditors.;
- e. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of; or requested by the Committee.;
- f. Any response to risk by management that may be unacceptable to VRS.;
- g. The propriety of any limitations on the scope of internal audits that may be imposed by management.;
- h. The Department's ~~mandate~~purpose, authority, and responsibility.;
- i. Results from the quality assurance and improvement program, which include the internal audit function's conformance with the *Standards* and action plans to address the internal audit function's deficiencies and opportunities for improvement.~~The Department's conformance with The Institute of Internal Auditors' Code of Ethics and *Standards*, and action plans to address any significant conformance issues; and;~~
- j. The Department's organizational independence.
- k. Potential impairments to the Department's independence, including relevant disclosures as applicable.

### **7. Independence, Objectivity, and Professional Skepticism** **Organizational Position and Reporting Relationships**

## INTERNAL AUDIT CHARTER

Based on the Board Governance Policy, the Audit Director will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The Audit Director will report functionally to the Board and administratively as necessary (for example, back-office operations) to the Director. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Audit Director will confirm to the Board, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the Audit Director will document the characteristics of the governance structure which limit independence and any safeguards employed to achieve the principle of independence.

The Audit Director will disclose to the appropriate parties within senior management any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate. If appropriate resolution cannot be realized, the Audit Director and senior management will disclose the interference to the Committee for action as directed by the Committee's Charter.

The Audit Director will ensure that the Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Audit Director determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

### 8. Ethics, Professionalism and Objectivity

The Audit Director will ensure that internal auditors:

- Conform with the *Standards*, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Commented [JS9]: Standard 6.2

Commented [JS10R9]: This language from the Global Internal Audit Standards recognizes that the internal audit function's independence is derived from its position in the organization; however, it also must rely on key resources within the organization (over which it does not have authority) to do its work, including, for example, budgeting, information security, human resources, payroll, accounts payable. This language distinguishes and authority of VRS' Director over these functions relative to the Audit Director and internal audit function.

Commented [JS11]: Standard 7.1

Commented [JS12]: Domain II Principles 1-5

## INTERNAL AUDIT CHARTER

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for VRS.
- Initiating or approving transactions external to the Department.
- Directing the activities of any VRS employee not employed by the Department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Audit Director or internal audit staff has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity~~—~~.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid ~~being unduly influenced by their own interests or by others in forming judgments~~ conflicts of interest, bias and undue influence.

The Audit Director will disclose to the Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

The Department has a professional responsibility to management and to the Board to conduct reviews with an attitude of professional skepticism, recognizing that the application of internal auditing procedures may produce evidential matter indicating the possibility of errors and irregularities.

If the internal auditor believes that an irregularity may exist in an area under review or in any other area of VRS, the Audit Director shall be notified. The Audit Director shall consider the implications of the potential irregularity and determine the extent of any further

**Commented [JS13]:** Updated to reflect language in Domain II of the Global Internal Audit Standards.

## INTERNAL AUDIT CHARTER

review. The Audit Director will discuss the potential irregularity and its disposition with management and the Committee, as appropriate.

### **8-9. Involvement in System Planning and Development**

The Department will participate, in an advisory capacity, in the planning, development, implementation, and modification of major computer-based and manual systems to ensure:

- a. Adequate controls are incorporated in the system.
- b. A thorough testing of the system is performed at appropriate stages.
- c. System documentation is complete and accurate.
- d. The intended purpose and objective of the system implementation or modification has been met.

The internal auditor participating in such a review should ensure that the extent of the review does not affect independence.

### **9-10. .... C operation with External Auditors**

The Audit Director is responsible for coordinating the audit efforts of the Department with those of the Auditor of Public Accounts for the Commonwealth of Virginia and any other external auditors.

This coordination of audit efforts should be in the planning and definition of the scope of proposed audits so the work of all auditing groups is complementary and will provide a comprehensive, cost-effective audit.

The Department will facilitate entrance and exit conferences between the external auditors and the Committee.

### **10-11. .... A Audit Plan Risk Assessment Process**

The *International Professional Practices Framework (IPPF) Standards* recommends annual risk assessments be made in developing audit work schedules (or plans). Over time, given the complexity and the nature of VRS's operations and the size of the organization, -the ~~Department~~ Audit Director, senior management and Committee have found it effective for formal comprehensive risk assessments to be made approximately once every ~~four~~ three years which coincides with our current audit cycle. This approach allows for a comprehensive assessment of all auditable units in an efficient manner with the relative risks of each unit being considered at approximately the same time. This approach also provides a means to measure planned versus actual audits over an extended period of time.

## INTERNAL AUDIT CHARTER

Making such assessments formally on an annual basis would be costly and administratively burdensome and could impact the breadth of oversight coverage realized across VRS's operations. Instead, the ~~Department Audit Director~~ essentially extracts the annual audit plan from the long-range audit plan (typically ~~three~~~~four~~ years in duration). In developing the annual plan, the ~~Department Audit Director~~ tries to stay in-line with the long-range plan, but ~~the Department~~ also considers various factors including changes in VRS operations and related risks. The factors identified and considered through the less formal annual risk assessment process and resulting changes made are documented during the development of the annual plan.

Acknowledging the above, the Audit Director shall submit a risk-based long-range audit plan every ~~four~~~~three~~ years and a risk-based annual audit plan, at least annually, to management for review, ~~and~~ the Committee ~~for review and recommendation for action and the Board~~ for review and approval.

**Commented [JS14]:** Adjusted as directed by the Committee at their June meeting.

**Commented [JS15]:** To reflect actual practice regarding approval of the audit plans by the Board

### 11.12. .... Investigations

The Department shall be notified in all cases where assets have or are thought to have been lost through defalcation or other security breaches in the financial and operating systems of VRS.

Upon reasonable evidence that such loss has, in fact, occurred, the Audit Director should ensure that the Chairperson of the Board, the Chairperson of the Committee, the Director and Chief Investment Officer (as applicable), have been promptly notified of the potential loss. The Audit Director shall then work with the Director to ensure the Auditor of Public Accounts, State Inspector General, and Superintendent of the Virginia State Police for the Commonwealth of Virginia are promptly notified of all material losses relating to funds provided to VRS by the Commonwealth of Virginia.

The Department will perform sufficient tests to identify the weaknesses in financial and operating procedures that permitted the loss to occur and recommend improvements to the procedures to correct these weaknesses in accordance with the limitations set forth in [§ 30-138](#) of the *Code of Virginia*.

Any investigation of specific events with the objective of recovery and/or prosecution, or the questioning of any individuals outside VRS, is the responsibility of the appropriate law enforcement authorities.

### 12.13. .... Personnel and Outside Contractors P

## INTERNAL AUDIT CHARTER

~~The Audit Director shall ensure the internal audit function~~ ~~The Department should~~ collectively possess~~es~~ or obtain~~s~~ the knowledge, skills, and other competencies needed to meet the requirements of the Charter. The ultimate quality of the Department's performance is directly related to the quality of the people employed. The internal audit function should be directed by and staffed with qualified and competent individuals.

**Commented [JS16]:** Assigning responsibility to the Audit Director to ensure the appropriate knowledge, skills and competencies exist for the Department in accordance with the standards.

Core competencies for employment have been established by VRS; however, additional experience, training, and specialized skills, as well as intelligence, adaptability, proactiveness, an inquiring mind, analytical ability, good business judgment, and an ability to communicate with individuals must be considered in the employment process.

The Audit Director may occasionally need to obtain expertise from outside the organization through contracts. In such cases, the contract should contain appropriate provisions regarding the nature of the services provided and any applicable professional standards. The Audit Director will inform the Committee of the use of all external consultants.

### 13.14. .... C ontinuing Education

The Board and VRS recognizes the need for members of the Department to "stay current" on ~~accounting~~-issues and auditing techniques.

To fulfill this need, the ~~Department-Audit Director~~ will require each professional representative of the ~~Department~~ to obtain, on average, at least 40 hours of continuing education credits annually.

### 14.15. .... Q uality Assurance and Improvement Program

The ~~Department-Audit Director~~ will ~~develop, implement and~~ maintain a quality assurance and improvement program that covers all aspects of the Department. The program will include an evaluation of the Department's conformance with the *Standards, as well as performance measurements to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement*, ~~and an evaluation of whether internal auditors apply The Institute of Internal Auditors' Code of Ethics~~. The program will also assess the efficiency and effectiveness of the Department and identify opportunities for improvement. ~~Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.~~

**Commented [JS17]:** Standard 6.2, 8.1, 8.3, 8.4 Principle 12

**Commented [JS18R17]:** Updated language to mirror that used in the new standards and assign responsibility as appropriate, explicitly calling out expectations that were implied previously.

~~Annually, t~~The Audit Director will communicate to management and the Committee on the Department's quality assurance and improvement program, including results of internal

## INTERNAL AUDIT CHARTER

assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside VRS. Qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

15,16.

### Audit Recommendation Follow-Up System Monitoring

~~The status of a~~All audit recommendations will be ~~entered into the Audit Recommendation Follow-Up System (ARFUS)~~ tracked and monitored by the Audit Director, whether they are ~~issued by VRS' internal audit function, audit recommendations made by the Auditor of Public Accounts, any Accounts or other external auditors, and VRS's Internal Audit Department.~~ This system is intended to monitor the response by management to the recommendations.

Should management not agree with a recommendation, ~~the Audit Director and senior management will provide the Committee with the relevant information. It will nevertheless be entered into ARFUS.~~ The Committee will then consider whether, in its oversight role, it should intervene and direct senior management to respond ~~hear the recommendation, and either direct management to respond to the recommendation or direct the Department to delete the recommendation, from ARFUS.~~

On a quarterly basis, senior management will report to the Department on the status of their ~~response plan of action for~~ each recommendation subject to monitoring. Once management represents ~~that a recommendation has been as implemented, # the implementation plan of action will be subject to a limited review remain in ARFUS until by the Department for validation.~~ specifically releases the recommendation through a separate report or some other acceptable means.

Annually, a status report on the recommendations and their associated plans of actions being included in for and being released from ARFUS oversight will be presented to senior management and the Committee.

## C. CHANGES IN THE CHARTER

The Audit Director or Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Various circumstances may justify a follow-up discussion between the Audit Director, Board, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Standards.

A

**Commented [JS19]:** Updating section to focus on the responsibility for monitoring and not the name of the tool used to facilitate the monitoring.

**Commented [JS20]:** Updated to better mirror language used in Standard 8.1 and remove references to ARFUS.



## INTERNAL AUDIT CHARTER

- A significant reorganization within VRS.
- Significant changes in the Audit Director, Board, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Such revisions, once approved by a majority vote of the Committee, shall be incorporated into and made a part of this charter.

**Commented [JS21]:** Added to acknowledge the events which might trigger a review and update of the departmental charter as noted in the Global Internal Audit Standards.

# **INTERNAL AUDIT CHARTER**

## **VIRGINIA RETIREMENT SYSTEM**

### **Internal Audit Charter**

\_\_\_\_\_, 2024

# INTERNAL AUDIT CHARTER

## TABLE OF CONTENTS

<b>A. INTRODUCTION</b> .....	<b>1</b>
<b>B. INTERNAL AUDIT DEPARTMENT</b>	
<b>1. Foreword</b> .....	<b>1</b>
<b>2. Purpose</b> .....	<b>1</b>
<b>3. Global Internal Audit Standards</b> .....	<b>2</b>
<b>4. Authority</b> .....	<b>2</b>
<b>5. Scope of Internal Audit Activities</b> .....	<b>3</b>
<b>6. Responsibilities</b> .....	<b>4</b>
<b>7. Independence, Organizational Position and Reporting Relationships</b> .....	<b>5</b>
<b>8. Ethics, Professionalism and Objectivity</b> .....	<b>5</b>
<b>9. Involvement in System Planning and Development</b> .....	<b>7</b>
<b>10. Cooperation with External Auditors</b> .....	<b>7</b>
<b>11. Audit Plan Risk Assessment Process</b> .....	<b>7</b>
<b>12. Investigations</b> .....	<b>8</b>
<b>13. Personnel and Outside Contractors</b> .....	<b>9</b>
<b>14. Continuing Education</b> .....	<b>9</b>
<b>15. Quality Assurance and Improvement Program</b> .....	<b>9</b>
<b>16. Audit Recommendation Monitoring</b> .....	<b>10</b>
<b>C. CHANGES IN THE CHARTER</b> .....	<b>10</b>

# INTERNAL AUDIT CHARTER

## A. INTRODUCTION

The Board of Trustees (Board) of the Virginia Retirement System (VRS) has formed an Audit and Compliance Committee (Committee) and established an Internal Audit Department (Department) whose reporting responsibility is to the Board through the Committee. The Committee assists the full Board in considering internal and external audit matters as defined in the Board's Governance Policy and Committee's Charter. The internal audit function receives its mandate, including its authority, from the Board and the Audit Director must provide the Board and senior management the information necessary to establish the internal audit mandate. The Internal Audit Charter (Charter) is intended to define the Department's mandate, including its purpose, authority, responsibility, and position within VRS and to provide guidance in the execution of its duties.

## B. INTERNAL AUDIT DEPARTMENT

### 1. Foreword

The Charter serves as a foundational document in the organization and administration of the Department by the Audit Director and provides a basis for the evaluation of the performance of the Department and the Audit Director by the Committee.

### 2. Purpose

The purpose of the internal audit function is to strengthen VRS' ability to create, protect, and sustain value by providing the Board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances VRS':

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

VRS' internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with recognized standards.
- The internal audit function is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

# INTERNAL AUDIT CHARTER

## 3. Global Internal Audit Standards

### *Commitment to Adhering to the Global Internal Audit Standards*

The Department will govern itself and its audit activities by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards (*Standards*) and Topical Requirements. The Audit Director will report annually to senior management and the Committee regarding the Department's conformance with the *Standards*, which will be assessed through a quality assurance and improvement program.

### *Commitment to Ethics and Professionalism*

Domain II: Ethics and Professionalism of the Global Internal Audit Standards states the principles and expectations governing behavior of individuals and internal audit functions in the conduct of internal auditing. In adhering to the *Standards*, the Department shall adhere to these behavioral expectations as well as the VRS Code of Ethics.

## 4. Authority

The internal audit function receives its mandate, including its authority, from the Board and the Audit Director must provide the Board and senior management the information necessary to establish the internal audit mandate. The internal audit function's authority is realized through its direct reporting relationship to the Board through the Committee as described in the Board Governance Policy.

To establish, maintain, and assure that the Department has sufficient authority to fulfill its duties, the Board has delegated specific duties and authority to the Audit Director and oversight responsibilities to the Committee within the Board Governance Policy and Committee Charter.

The Audit Director shall have direct access to the Director, Chief Investment Officer, and to the Committee and the Board in any instance where the Audit Director believes such access is needed to fulfill the stated objectives of the Department.

The Department has unrestricted access to all VRS activities, records, information, physical property, and personnel pertinent to fulfilling internal audit responsibilities. The Board has endorsed this right in the Board Governance Policy and Committee Charter and has resolved that the scope of internal audit activities not be restricted by actions of management.

Internal auditors are accountable for the confidentiality and safeguarding of records and information in their possession and will make appropriate arrangements examining such records or information.

# INTERNAL AUDIT CHARTER

Except for direction from the Committee, the Audit Director is free to allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques and issue communications required to accomplish the function's objectives.

## **5. Scope and Types of Internal Audit Activities**

The scope of internal audit services covers the breadth of the organization, including all of VRS' activities, assets, and personnel. In practice, the scope of work performed is realized through the audit plan risk assessment process discussed in Section B.11 below and governed by the Committee and Board through their respective recommendation and approval of the Long-Range and Annual Audit Plans.

### *Assurance Services*

The scope of internal audit assurance services encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for VRS. Internal audit assessments include evaluating whether:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- The actions of VRS employees, contractors or other relevant parties comply with VRS' policies and procedures and applicable laws, regulations, and governance standards.
- Resources and assets are acquired economically, used efficiently, and adequately protected.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out efficiently and effectively.
- Quality and continuous improvement are fostered in the organization's control processes.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact VRS.

The Audit Director also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers, as needed. As used herein, the term "external" shall refer to representatives of or the activities of the Auditor of Public Accounts for the Commonwealth of Virginia, independent Certified Public Accountants and auditors from organizations (governmental or commercial) outside VRS.

# INTERNAL AUDIT CHARTER

Opportunities for improving governance, risk management, and internal control processes; profitability; and the organization's image may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

While the activities of the Department shall involve the aforementioned activities, the Department's work shall focus primarily upon "financial and compliance" type issues due to the primarily financial nature of VRS.

## *Advisory and Other Services*

The Department may perform advisory and related service activities, the nature and scope of which will be agreed upon with management, provided the Department does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

## **6. Responsibilities**

The Audit Director has the responsibility to:

- a. Establish and ensure adherence to policies and procedures designed to guide the Department.
- b. Consider emerging trends and successful practices in internal auditing in the development of such policies and procedures.
- c. Ensure adherence to VRS' applicable policies and procedures unless such policies and procedures conflict with the Charter (any such conflicts will be resolved or otherwise communicated with senior management and the Committee).
- d. Ensure conformance of the Department with the *Standards*, with the following qualification. If the Department is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Audit Director will resolve or document any such conflicts and communicate such actions to the Committee and senior management.
- e. Ensure internal audit engagements are performed, documented and communicated in accordance with the *Standards* and laws and/or regulations.

The Audit Director shall meet with management and the Committee periodically to discuss:

- a. Results of audit engagements or other activities.
- b. The Department's audit plans and performance relative to its plans, including any revisions to the internal audit plans in response to changes in VRS' business, risks, operations, programs, systems and controls.
- c. Resource requirements and the impact of resource limitations on the audit plans.
- d. Relationships between the Department and external auditors.
- e. Significant risk exposures and control issues, including fraud risks, governance

## INTERNAL AUDIT CHARTER

- issues, and other matters requiring the attention of or requested by the Committee.
- f. Any response to risk by management that may be unacceptable to VRS.
  - g. The propriety of any limitations on the scope of internal audits that may be imposed by management.
  - h. The Department's mandate.
  - i. Results from the quality assurance and improvement program, which include the internal audit function's conformance with the *Standards* and action plans to address the internal audit function's deficiencies and opportunities for improvement.
  - j. The Department's organizational independence.
  - k. Potential impairments to the Department's independence, including relevant disclosures as applicable.

### 7. **Independence, Organizational Position and Reporting Relationships**

Based on the Board Governance Policy, the Audit Director will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The Audit Director will report functionally to the Board and administratively as necessary (for example, back-office operations) to the Director. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Audit Director will confirm to the Board, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the Audit Director will document the characteristics of the governance structure which limit independence and any safeguards employed to achieve the principle of independence.

The Audit Director will disclose to the appropriate parties within senior management any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate. If appropriate resolution cannot be realized, the Audit Director and senior management will disclose the interference to the Committee for action as directed by the Committee's Charter.

### 8. **Ethics, Professionalism and Objectivity**

The Audit Director will ensure that internal auditors:

- Conform with the *Standards*, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.



## INTERNAL AUDIT CHARTER

- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for VRS.
- Initiating or approving transactions external to the Department.
- Directing the activities of any VRS employee not employed by the Department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Audit Director or internal audit staff has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias and undue influence.

The Audit Director will disclose to the Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

The Department has a professional responsibility to management and to the Board to conduct reviews with an attitude of professional skepticism, recognizing that the application

## INTERNAL AUDIT CHARTER

of internal auditing procedures may produce evidential matter indicating the possibility of errors and irregularities.

If the internal auditor believes that an irregularity may exist in an area under review or in any other area of VRS, the Audit Director shall be notified. The Audit Director shall consider the implications of the potential irregularity and determine the extent of any further review. The Audit Director will discuss the potential irregularity and its disposition with management and the Committee, as appropriate.

### **9. Involvement in System Planning and Development**

The Department will participate, in an advisory capacity, in the planning, development, implementation, and modification of major computer-based and manual systems to ensure:

- a. Adequate controls are incorporated in the system.
- b. A thorough testing of the system is performed at appropriate stages.
- c. System documentation is complete and accurate.
- d. The intended purpose and objective of the system implementation or modification has been met.

The internal auditor participating in such a review should ensure that the extent of the review does not affect independence.

### **10. Cooperation with External Auditors**

The Audit Director is responsible for coordinating the audit efforts of the Department with those of the Auditor of Public Accounts for the Commonwealth of Virginia and any other external auditors.

This coordination of audit efforts should be in the planning and definition of the scope of proposed audits so the work of all auditing groups is complementary and will provide a comprehensive, cost-effective audit.

The Department will facilitate entrance and exit conferences between the external auditors and the Committee.

### **11. Audit Plan Risk Assessment Process**

The *Standards* recommend annual risk assessments be made in developing audit work schedules (or plans). Over time, given the complexity and the nature of VRS' operations and the size of the organization, the Audit Director, senior management and Committee have found it effective for formal comprehensive risk assessments to be made approximately once every three years which coincides with our current audit cycle. This approach allows for a comprehensive assessment of all auditable units in an efficient manner

## INTERNAL AUDIT CHARTER

with the relative risks of each unit being considered at approximately the same time. This approach also provides a means to measure planned versus actual audits over an extended period of time.

Making such assessments formally on an annual basis would be costly and administratively burdensome and could impact the breadth of oversight coverage realized across VRS' operations. Instead, the Audit Director essentially extracts the annual audit plan from the long-range audit plan (typically three years in duration). In developing the annual plan, the Audit Director tries to stay in-line with the long-range plan, but also considers various factors including changes in VRS operations and related risks. The factors identified and considered through the less formal annual risk assessment process and resulting changes made are documented during the development of the annual plan.

Acknowledging the above, the Audit Director shall submit a risk-based long-range audit plan every three years and a risk-based annual audit plan, at least annually, to management for review, the Committee for review and recommendation for action and the Board for review and approval.

### 12. **Investigations**

The Department shall be notified in all cases where assets have or are thought to have been lost through defalcation or other security breaches in the financial and operating systems of VRS.

Upon reasonable evidence that such loss has, in fact, occurred, the Audit Director should ensure that the Chairperson of the Board, the Chairperson of the Committee, the Director and Chief Investment Officer (as applicable) have been promptly notified of the potential loss. The Audit Director shall then work with the Director to ensure the Auditor of Public Accounts, State Inspector General, and Superintendent of the Virginia State Police for the Commonwealth of Virginia are promptly notified of all material losses relating to funds provided to VRS by the Commonwealth of Virginia.

The Department will perform sufficient tests to identify the weaknesses in financial and operating procedures that permitted the loss to occur and recommend improvements to the procedures to correct these weaknesses in accordance with the limitations set forth in [§ 30-138](#) of the *Code of Virginia*.

Any investigation of specific events with the objective of recovery and/or prosecution, or the questioning of any individuals outside VRS, is the responsibility of the appropriate law enforcement authorities.

## INTERNAL AUDIT CHARTER

### **13. Personnel and Outside Contractors**

The Audit Director shall ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Charter. The ultimate quality of the Department's performance is directly related to the quality of the people employed. The internal audit function should be directed by and staffed with qualified and competent individuals.

Core competencies for employment have been established by VRS; however, additional experience, training, and specialized skills, as well as intelligence, adaptability, proactiveness, an inquiring mind, analytical ability, good business judgment, and an ability to communicate with individuals must be considered in the employment process.

The Audit Director may occasionally need to obtain expertise from outside the organization through contracts. In such cases, the contract should contain appropriate provisions regarding the nature of the services provided and any applicable professional standards. The Audit Director will inform the Committee of the use of all external consultants.

### **14. Continuing Education**

The Board and VRS recognizes the need for members of the Department to "stay current" on issues and auditing techniques.

To fulfill this need, the Audit Director will require each professional representative of the Department to obtain, on average, at least 40 hours of continuing education credits annually.

### **15. Quality Assurance and Improvement Program**

The Audit Director will develop, implement and maintain a quality assurance and improvement program that covers all aspects of the Department. The program will include an evaluation of the Department's conformance with the *Standards*, as well as performance measurements to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program will also assess the efficiency and effectiveness of the Department and identify opportunities for improvement. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Audit Director will communicate to management and the Committee on the Department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside VRS. Qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

# INTERNAL AUDIT CHARTER

## **16. Audit Recommendation Monitoring**

The status of all audit recommendations will be tracked and monitored by the Audit Director, whether they are issued by VRS' internal audit function, the Auditor of Public Accounts or other external auditors.

Should management not agree with a recommendation, the Audit Director and senior management will provide the Committee with the relevant information. The Committee will then consider whether, in its oversight role, it should intervene and direct senior management to respond or direct the Department to delete the recommendation. On a quarterly basis, senior management will report to the Department on the status of their plan of action for each recommendation subject to monitoring. Once management represents a recommendation as implemented, the implementation plan of action will be subject to a limited review by the Department for validation.

Annually, a status report on the recommendations and their associated plans of actions being included for and released from oversight will be presented to senior management and the Committee.

## **C. CHANGES IN THE CHARTER**

The Audit Director or Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Various circumstances may justify a follow-up discussion between the Audit Director, Board, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the *Standards*.
- A significant reorganization within VRS.
- Significant changes in the Audit Director, Board, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Such revisions, once approved by a majority vote of the Committee, shall be incorporated into and made a part of this charter.

# Annual Progress Reports for FY 2024



Virginia Retirement System®



# Internal Audit FY 2024 Annual Report

As of June 30, 2024

## ■ The Year in Review

- Activities
- Resources
- Annual Audit Plan Results
- Annual ARFUS
- Long-Range Plan Results





# Living VRS' Core Values

## Demonstrate ACCOUNTABILITY



Research and preparation for the implementation of the Institute of Internal Auditor's Global Internal Audit Standards

Focus on internal quality assurance responsibilities:

- Improvement Program
- Review, enhancement and creation of new tools
- Review and analysis of the Committee and departmental charters



- Collaborating with the business in the consideration of their responses to emerging risks
- Adjusting audit priorities to support management with assurance activities as the need arises
- Updating audit approaches and considerations by leveraging data intelligence to focus on key risks

## Perform with AGILITY

ACT WITH  
**INTEGRITY**

As we perform our role and represent VRS.

DISPLAY  
**TEAMWORK**

As we create, plan and execute our work in a trusting and caring way.

DEMONSTRATE  
**ACCOUNTABILITY**

In our words, actions and decisions as we work and commit to VRS' Vision.

PERFORM WITH  
**AGILITY**

As we respond to change.

Consider and validate our independence and objectivity in appearance and in fact annually and as we carry out each project we undertake

## Act with INTEGRITY

# Living VRS' Core Values

## Display TEAMWORK

### ACT WITH **INTEGRITY**

As we perform our role and represent VRS.

### DISPLAY **TEAMWORK**

As we create, plan and execute our work in a trusting and caring way.

### DEMONSTRATE **ACCOUNTABILITY**

In our words, actions and decisions as we work and commit to VRS' Vision.

### PERFORM WITH **AGILITY**

As we respond to change.

#### Supporting agency initiatives:

- Records Management
- Systems Implementation
- Risk and Fraud Prevention
- Data Integrity and Quality

Giving input to IT risk and sensitive system assessment

Providing feedback on the development of key policies

### Association of Public Pension Fund Auditors

Taking on leadership roles to further organizational initiatives:

**Matt Priestas**  
Board of Directors  
Webmaster



**Kristy Scott**  
Membership Committee  
Chairperson



**Jennifer Schreck**  
Bylaws Committee  
Chairperson

### Virginia Society of CPAs **Kristy Scott**

Serving on the Innovation Advisory Council to provide strategic direction and identify key initiatives and partners for the future



Sharing feedback on the IIA's Standards & Topical Requirements



### Institute of Internal Auditors

Highlighting the opportunity for and value in partnering to address organizational risk by promoting Internal Audit Awareness Month

# Maintaining Quality Audit Staffing

## Experience is Valued



Given the complexity of VRS' operations, the department does not employ entry-level auditors. Combined, the current team has over 100 years experience supporting the auditing profession.

## IT Bench Strength Enhancements

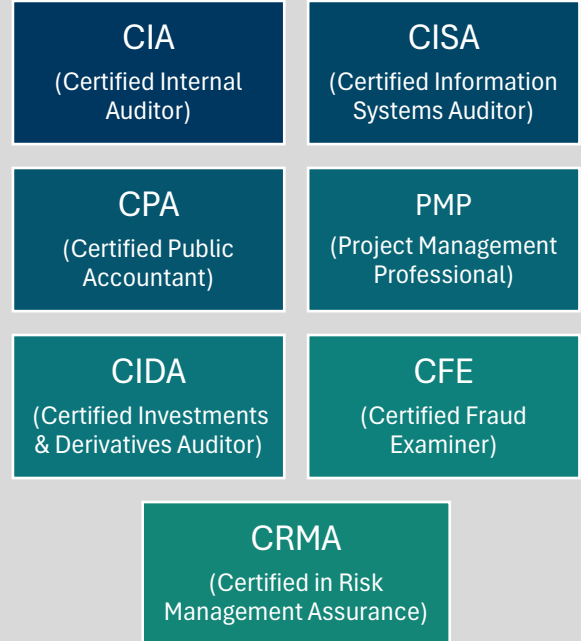
Enhancing our knowledge and skills to support Virginia IT Agency mandated audit responsibilities remains a priority as Cyber Security and other IT related risks lead most global risk surveys. We are actively participating in training to support the unique nature of IT audit and are excited to leverage technically trained resources.



## Planning for the Future

The new IIA Standards present a secondary educational priority for the team to ensure we remain positioned to conform with the Standards when they become effective in January 2025.

## Professional Designations



- Each team member holds two or more professional designations
- Continuing professional education is required to maintain these designations and helps ensure ongoing audit quality through knowledge and skill growth

# Team Members and Qualifications

## Matt Priestas

Principal Auditor for Information Technology, Security, Systems Development and Project Management

CISA, CIA, PMP, CRMA

B.S. in Management Information Systems, East Carolina University

Joined VRS in 2008, previously worked for the APA

Newscenter SharePoint Site Administrator, APPFA liaison

## Judy Bolt

Principal Auditor for Benefits, Operations and Quality Assurance

CPA, CIA, CFE, CISA

B.S. in Accounting, Virginia Commonwealth University (VCU)

Joined VRS in 2012, previously worked for the APA and Owens and Minor

Lead for the Quality Assurance and Improvement Program

## Josh Fox

Principal Auditor for Investments and Operations

CIA, CIDA, CFE

B.S. in Finance and Management, Virginia Polytechnic Institute and State University (Virginia Tech)

Joined VRS in 2014, previously worked for the APA

Lead for Investments, training as business intelligence back-up

## Krystal Groff

Principal Auditor for Business Intelligence

CIA, CISA

B.S. in Computer Science, University of Mary Washington; M.S. in Nursing Informatics, Duke University

Joined VRS in 2015, previously worked for the Federal Reserve Bank of Richmond, Capital One and Circuit City

Experience with various technologies and programming languages including: SQL, Tableau, Ab Initio, UNIX and C

## Kristy Scott

Principal Auditor for Governance and Program Administration

CPA, CISA, CIA

B.B.A., Roanoke College; Post-Baccalaureate Accounting Certificate, VCU; COSO Enterprise Risk Management Certificate

Joined VRS in 2018, previously worked for the APA

Team SharePoint Site Administrator, training as business intelligence back-up

## Jennifer Schreck

Internal Audit Director

CPA, CISA, PMP

B.S. in Accounting, College of William and Mary

Joined VRS in 2015, previously worked for the APA

Holds an Associate's Certificate in Project Management and a Master's Certificate in IT Project Management



## Providing Assurances Regarding:

- VRS' investment data intelligence project management processes
- Confirmation and collection of member and employer contributions
- Accuracy of cost-of-living allowances recommended by the VRS actuary
- Accuracy and validity of member refunds
- Administration of the global public equity program
- Effectiveness of the design and implementation of VRS' logical and physical access controls
- Reliability of investment balances, performance reporting and investment manager compensation
- Accuracy of investment incentive compensation calculations
- Fulfillment of VRS' performance outcomes and operational performance measures

Annual Quality Assurance Improvement Program Review

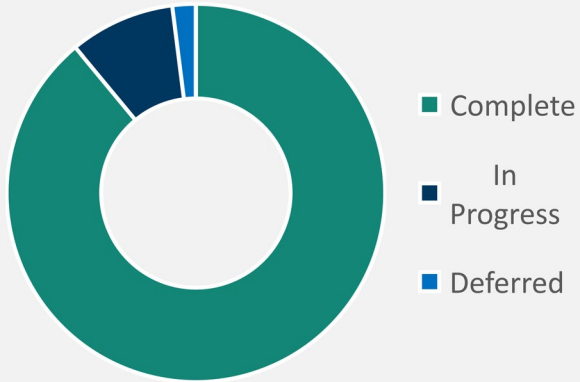
Quarterly Reporting on Fraud, Waste and Abuse Hotline Cases

Annual Audit Recommendation Follow-Up System (ARFUS) Review

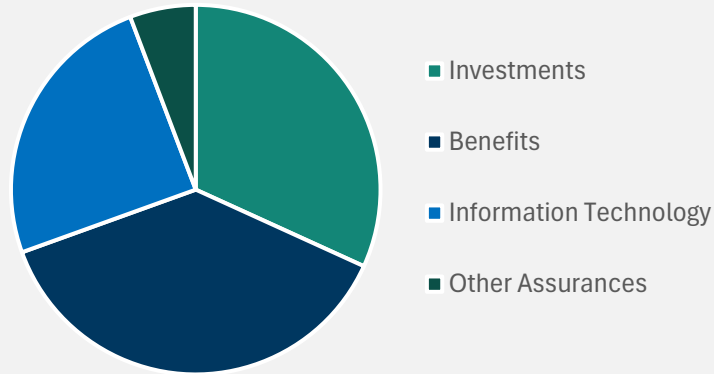
# FY 2024 Annual Plan Dashboard

## FY 2024 Annual Plan

89% Complete



## Planned FY 2024 Projects and Other Assurance by Area



## FY 2024 Projects In Progress

Reporting out in September

- Investment Balances, Performance Reporting and Investment Manager Compensation

Reporting out in December

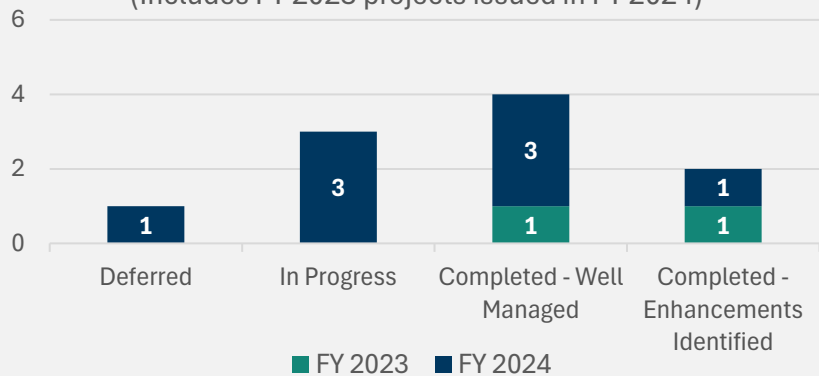
- Purchase of Prior Service

Reporting out in FY 2025

- Networking and Computing

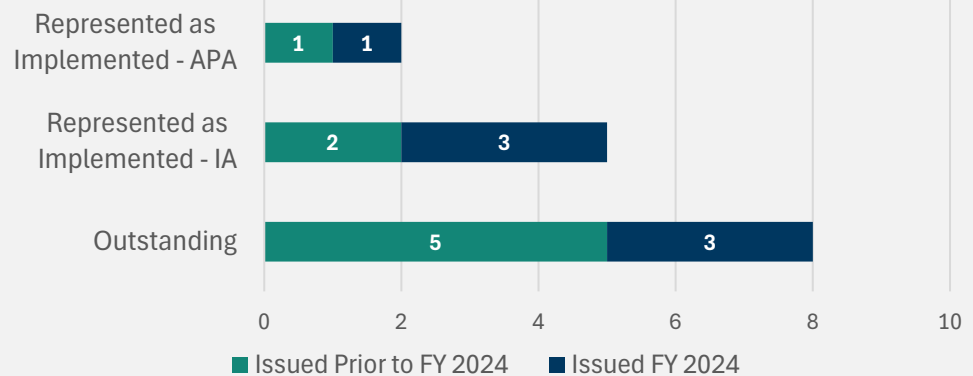
## FY 2024 Mandatory and Risk-Based Project Status

(Includes FY 2023 projects issued in FY 2024)



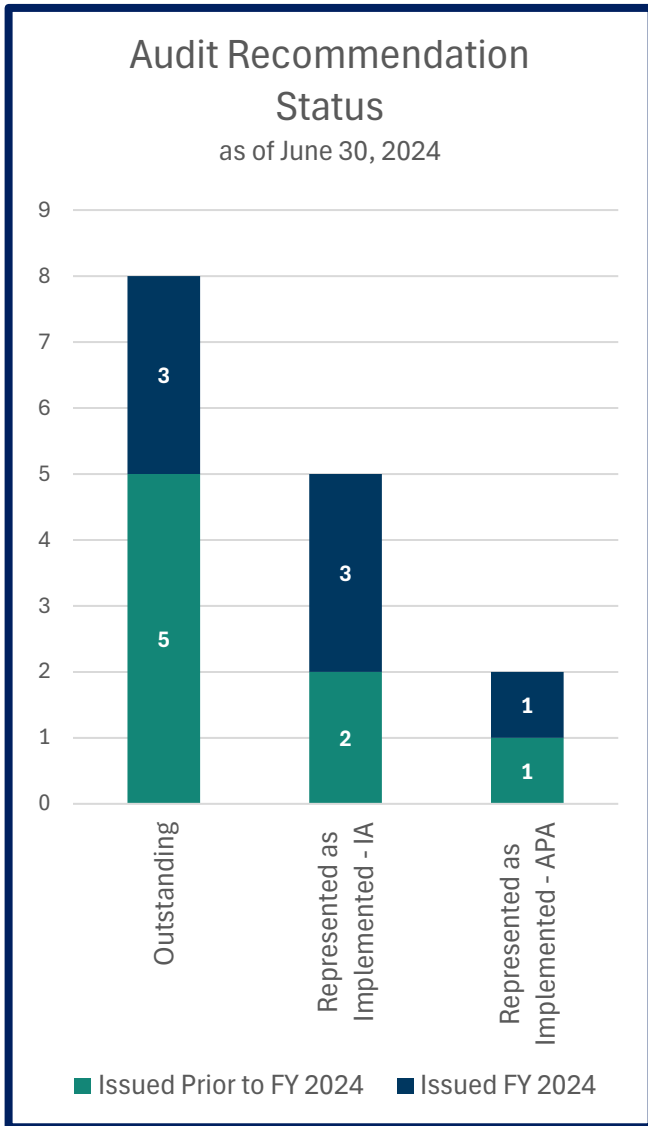
## Audit Recommendation Status

as of June 30, 2024

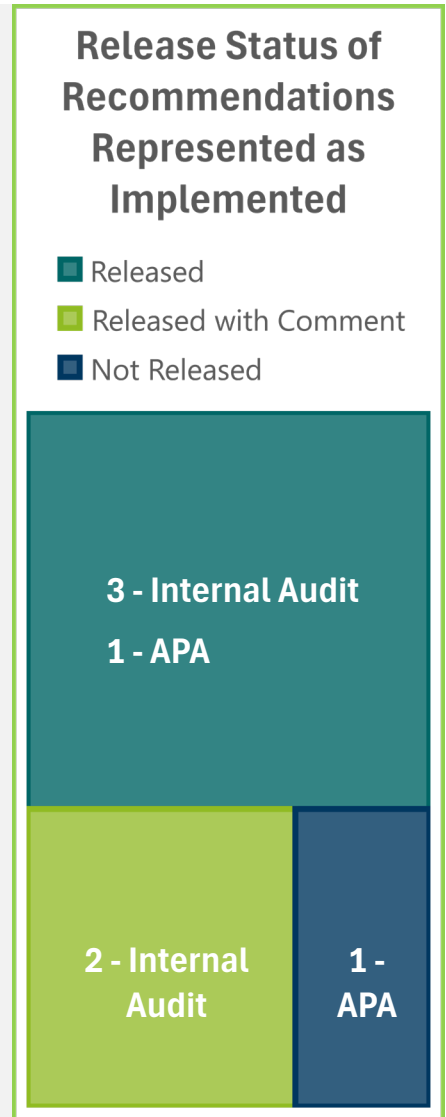




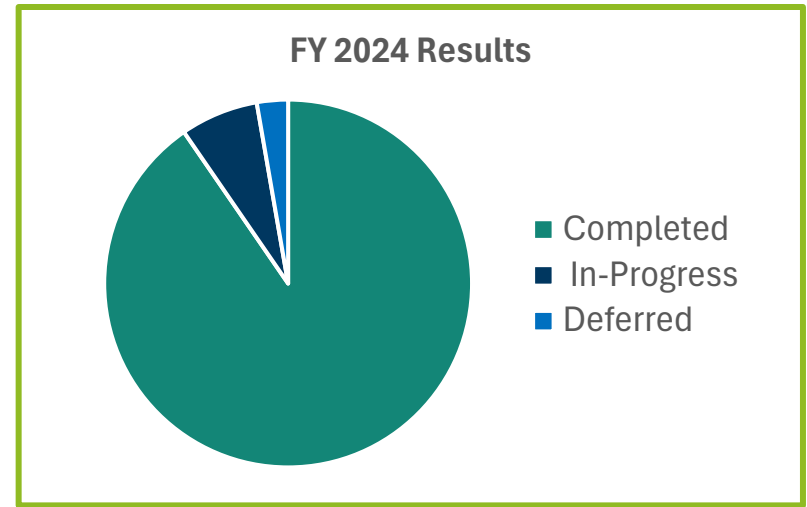
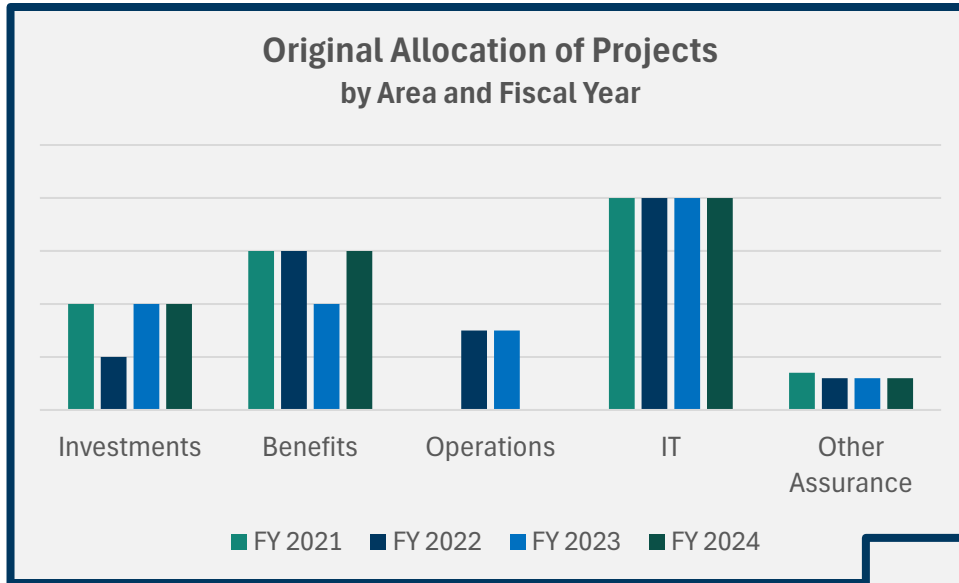
# FY 2024 Annual ARFUS Review Results



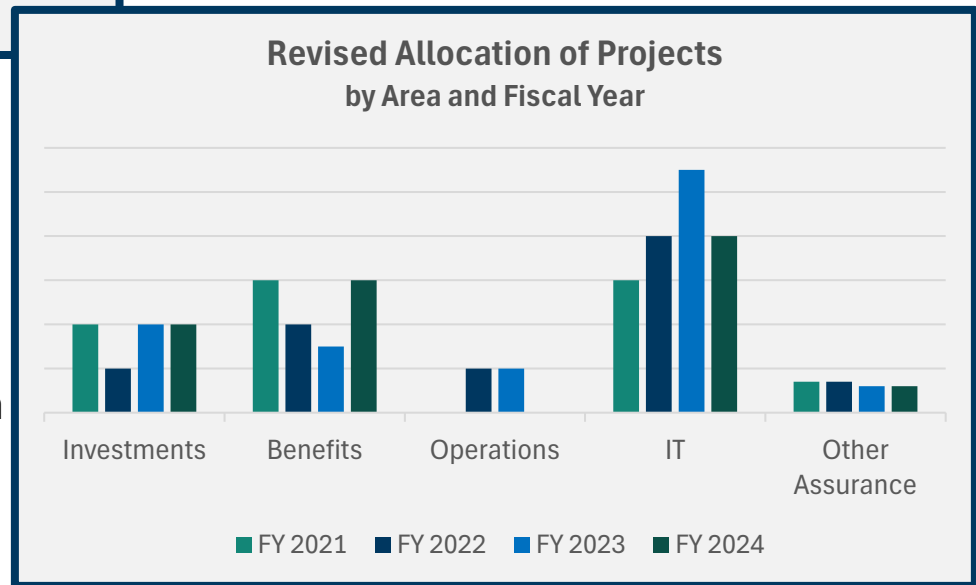
- As of June 30, 2024, ARFUS included a total of 14 recommendations
- Management represented seven recommendations in ARFUS as implemented, two of which were issued by the APA
- Upon review, six were released, including one from the APA
- Two of the five internal audit recommendations were released with comment
- Remaining recommendations will remain in ARFUS until represented as implemented by management and reviewed by the APA or Internal Audit for reasonableness



# FY 2021 – FY 2024 Long-Range Plan Dashboard



- An overview of every project and their respective timing is included in the Long-Range Plan Progress Report
- FY 2024 was the final year of this four-year long-range cycle
- Six originally planned projects were deferred for consideration in the next cycle based on shifts in organizational priorities and risks
- As noted in the FY 2024 results, three projects will be carried over to the next long-range plan





## BACKGROUND

The Audit Recommendation Follow-Up System (ARFUS) is a reporting mechanism for monitoring the status of audit recommendations issued by Internal Audit, the Auditor of Public Accounts (APA) or other external entities. Internal Audit maintains the information recorded in ARFUS with the cooperation and assistance of management.

On a quarterly basis, Internal Audit requests and receives progress reports from management on outstanding recommendations, which describe the status of the actions taken in response to the recommendations. While compiled by Internal Audit, the information included in the quarterly summary reflects the representations of the responsible party and are not subject to verification by Internal Audit at that time. Recommendations represented as “implemented” remain in ARFUS until Internal Audit performs its review to obtain reasonable assurance that the essence of the recommendation has been implemented.

Annually, Internal Audit conducts its limited review on all recommendations represented as implemented to obtain assurance that management has in fact reasonably addressed these recommendations. Where reasonable implementation is confirmed, the recommendation is released from ARFUS and is no longer subject to monitoring by Internal Audit. Further, Internal Audit identifies the addition and removal of any audit recommendations issued by the APA within ARFUS based upon a review of APA reports.

The purpose of this report is to convey the results of our review regarding the audit recommendations represented as implemented as of June 30, 2024.

## RECOMMENDATION VALIDATION AND RELEASE FROM ARFUS

During fiscal year 2024, management represented seven recommendations as implemented, including two recommendations issued by the APA. Internal Audit reviewed the five Internal Audit recommendations to validate that they were reasonably addressed. This review was not designed to test the operational effectiveness of the implemented controls. The testing of these controls will be considered within the scope of future audits. Our review found the five Internal Audit recommendations to be sufficiently implemented, no longer warranting oversight. Accordingly, Internal Audit is releasing them from ARFUS. Further, management has represented two APA issued recommendations as implemented. One has been reviewed by the APA and therefore will be released. The other will remain in ARFUS and only be released once the APA has reviewed the representation and indicates the recommendation no longer warrants oversight.

ARFUS Activity during FY 2024			
ARFUS Components	Internal Audit	APA*	Total
Total Outstanding Recommendations as of July 1, 2023	7	1	8
Recommendations Added during FY 2024	3	3	6
<i>Total Recommendations for FY 2024 (available for remediation)</i>	10	4	14
<i>Informational: Recommendations Represented as Implemented during FY 2024</i>	5	2	7
Represented Recommendation(s) tested and released by Internal Audit (see page 2)	(5)	–	(5)
Represented Recommendation(s) tested and released by APA (see page 3)	–	(1)	–
<b>Total Outstanding Recommendations as of June 30, 2024</b> (see page 3)	<b>5</b>	<b>3</b>	<b>8</b>

\* Recommendations issued by the APA are listed separately from the Internal Audit activity above, as the decision to issue or release such findings rests with their office.

## STATUS OF AUDIT RECOMMENDATIONS REPRESENTED AS IMPLEMENTED

The table below reflects the status of each recommendation represented as implemented (with explanatory comments as appropriate). Please note that the “Audit # - Audit Name” has been hyperlinked to the applicable audit report and management response within Directors Desk.

Audit # - Audit Name	Recommendation Represented as Implemented	Management’s Target Date	Completion Date	Audit Comments
<a href="#">412 – Hybrid Plan</a>	Improve the Expected versus Actual Contributions Reconciliation Review Process	July 1, 2024 <del>December 31, 2019</del>	July 1, 2024	<b>Released without Comment</b>
<a href="#">439 – Review of the Vendor Hosted Systems in Administrative Operations</a>	Enhance Risk Monitoring of Hosted System Vendors	December 31, 2023	December 31, 2023	<b>Released without Comment</b>
	Update Policies and Procedures and Promote Organizational Awareness	March 30, 2024 <del>December 31, 2023</del>	March 30, 2024	<b>Released with Comment</b> Management successfully developed IT administrated processes which have been fully implemented and therefore the recommendation will be released.  While these processes are established, these recommendations also identify updates to VRS’ procurement processes which are yet to be completed. VRS has an initiative under way to address them.
	Evaluate Vendor Risk Management Considerations in the Procurement Process	March 30, 2024 <del>December 31, 2023</del>	March 30, 2024	
<a href="#">444 – Review of IT General Controls</a>	Fortify Processes Surrounding Devices Used for International Travel	March 30, 2024 <del>November 30, 2023</del> <del>June 30, 2023</del> <del>October 31, 2022</del>	March 30, 2024	<b>Released without Comment</b>

## OUTSTANDING AUDIT RECOMMENDATIONS AS OF JUNE 30, 2024

The following is a list of outstanding recommendations remaining in ARFUS as of June 30, 2024. Please note that the "Audit # - Audit Name" has been hyperlinked to the applicable audit report and management response within Directors Desk.

Audit # - Audit Name	Recommendation	Report Date	Management's Target Date
<a href="#">425 – Review of the General Controls within the IT Client-Server Environment</a>	Update Retention and Disposition Schedules to align with Library of Virginia Standards as well as VRS' Actual Practice	August 1, 2019	TBD* <del>June 30, 2021</del>
<a href="#">444 – Review of IT General Controls</a>	Enhance Data Fix Processes and Controls	May 20, 2022	TBD* <del>February 28, 2024</del> <del>June 30, 2023</del>
<a href="#">453 – Logical and Physical Access</a>	Enhance Annual Access Monitoring	July 14, 2023	TBD
	Update Building Access and Security Policy to Reflect Actual Practice	July 14, 2023	TBD
<a href="#">458 – Investment Decision Support</a>	Memorialize IDS' Portfolio and Project Management Governance	May 14, 2024	TBD

\*The Director's Executive Committee approved revisions to the original target date as reflected in the table above.

## RECOMMENDATIONS ISSUED BY THE APA

Recommendations issued and released by the APA are captured based on the results reflected in their reports and are included below for informational purposes. Please note that the "Audit Name" has been hyperlinked to the applicable audit report on the APA's website.

Audit Name	Recommendation	Represented as Implemented? (Y/N)	Management's Target Date	Completion Date	Audit Comments
<a href="#">Auditor of Public Accounts, VRS Report on Audit – June 30, 2022</a>	Improve Service Provider Oversight	Y	TBD	March 31, 2023	This recommendation has been validated and deemed complete by the APA. This recommendation will be released.

Audit Name	Recommendation	Represented as Implemented? (Y/N)	Management's Target Date	Completion Date	Audit Comments
<a href="#">Auditor of Public Accounts, VRS Report on Audit - June 30, 2023</a>	Improve Database Security	Y	TBD	March 31, 2024	This recommendation has not been validated by the APA and will not be released until their validation is complete.
	Improve IT Change Control and Configuration Management Process	N	December 31, 2024	-	This recommendation has not been represented as implemented by management.
	Improve Retirement Benefit Calculations	N	September 30, 2024	-	This recommendation has not been represented as implemented by management.

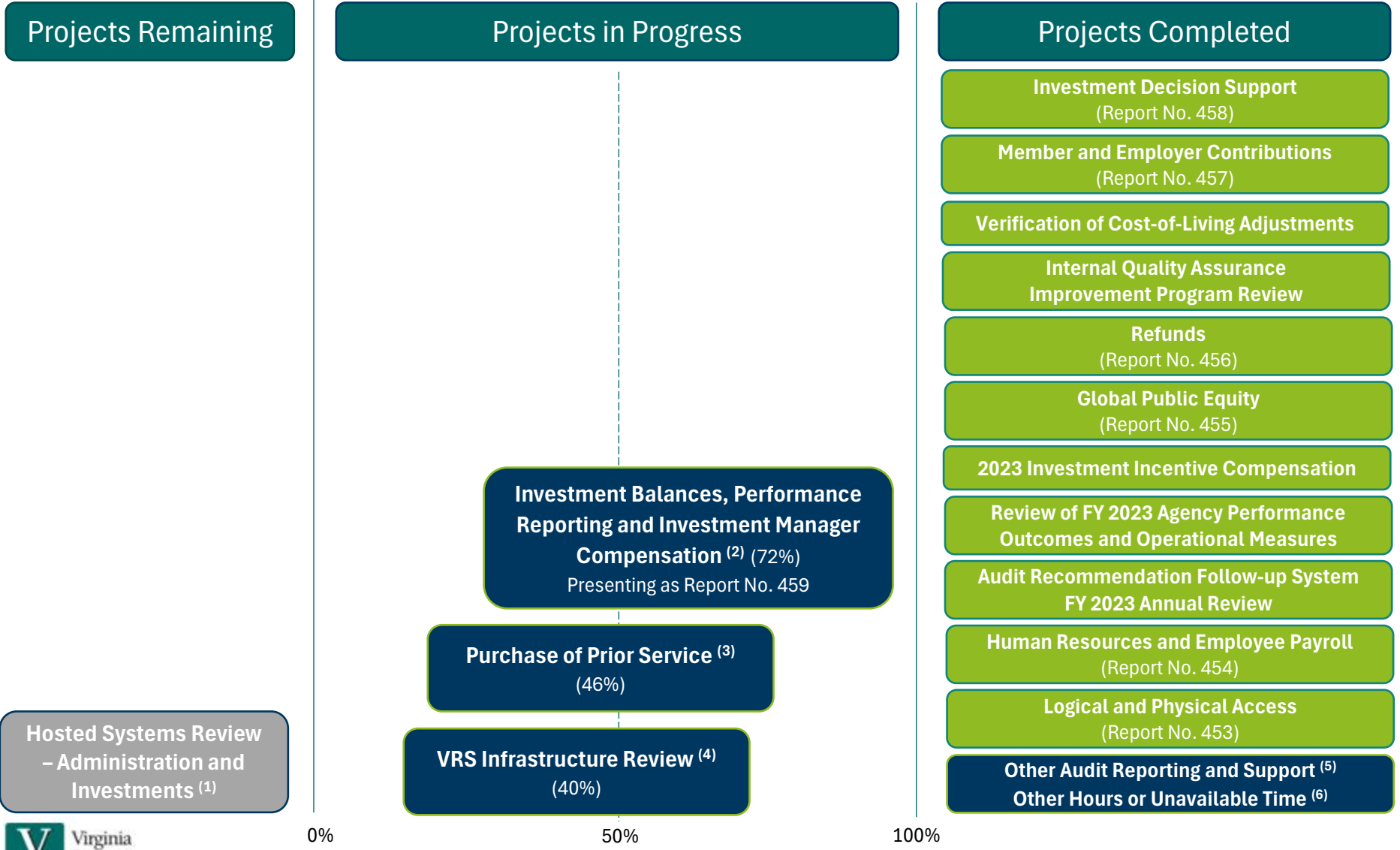


# Internal Audit FY 2024 Annual Audit Plan Progress Report

As of June 30, 2024

# FY 2024 Annual Audit Plan Progress Report

As of June 30, 2024



# FY 2024 Annual Audit Plan Progress Report

As of June 30, 2024

## Notes:

- (1) This project as approved was planned to start later in the fiscal year and would have carried over into the next audit plan year; however, it has been removed from the FY 2024 plan based on an updated sensitive system risk assessment completed by VRS during the audit plan year.
- (2) This project reflects the consolidation of two 600-hour projects last performed separately. While there is significant cross over between the two projects, we overestimated the efficiencies that would be gained through consolidation. Therefore, this project is being carried over to FY 2025 and will be reported out at the September meeting.
- (3) This project as approved was planned to start later in the fiscal year and therefore will carry over into the next audit plan year to be reported out at the December meeting.
- (4) This project reflects our use of augmented resources to complete a more technical review, requiring collaboration with the Procurement department to obtain these resources. As we have not used such resources before, Internal Audit is working to define and establish appropriate oversight procedures for such relationships. Collectively, these activities are taking longer than anticipated.
- (5) The other audit reporting and support includes items that result in routine reporting to the committee and management, such as
  - (a) Administration of the Quality Assurance Improvement Program.
  - (b) Monitoring and reporting on audit recommendation resolution as captured in the Audit Recommendation Follow-Up System (ARFUS).
  - (d) Investigation of fraud, waste and abuse allegations.
  - (d) Review of items as requested by the committee including investment incentive compensation, agency performance outcomes and operational measures and cost of living adjustments.Several of these items require testwork to be initiated in one audit plan year and conclude in the next audit plan year.
- (6) The other hours or unavailable time reflects departmental administrative items, such as
  - (a) Involvement in agency initiatives such as Enterprise Risk and Performance Management, Records Management, Data Quality and Human Resource Information System Implementation.
  - (b) Involvement with professional organizations.
  - (c) Interactions with executive staff.
  - (d) Administration of the internal audit function.
  - (e) Review and enhancement of departmental policies and procedures and supporting tools, including SharePoint audit documentation management.
  - (f) Collaboration with the Information Technology, Data Quality and Risk and Fraud Prevention teams.
  - (g) Continuing professional education and other VRS provided training.
  - (h) Annual, personal, sick and other leave available to VRS staff.





# FY 2021 – FY 2024 Long-Range Plan Progress Report

As of June 30, 2024

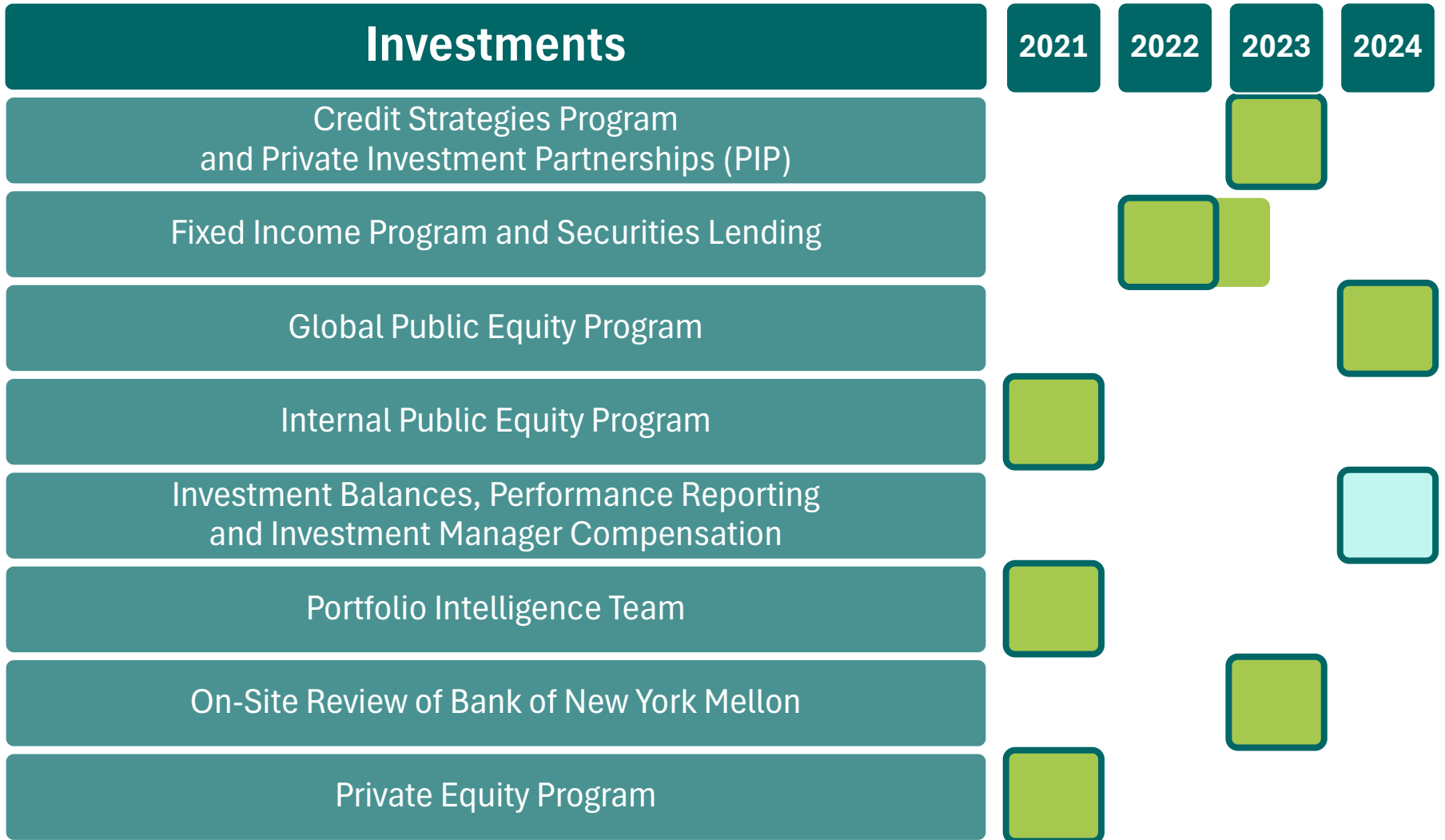


# Long-Range Plan

- Final year of four-year plan
- 86% of the planned information technology, risk-based and other assurance projects for the four-year period were completed or initiated
- Shifting to a three-year plan moving forward

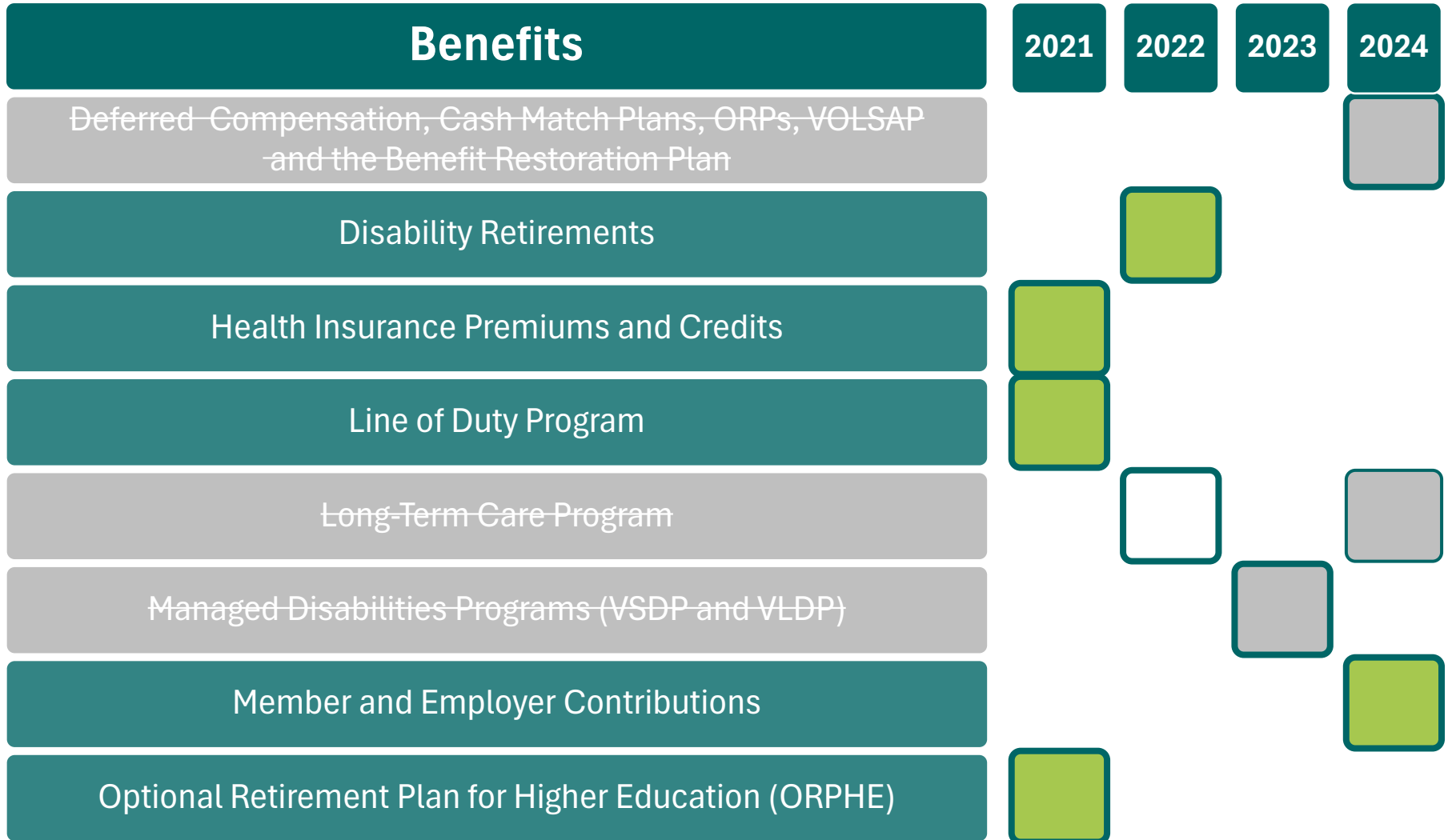
# FY 2021 – FY 2024 Long-Range Plan

Progress Report as of June 30, 2024



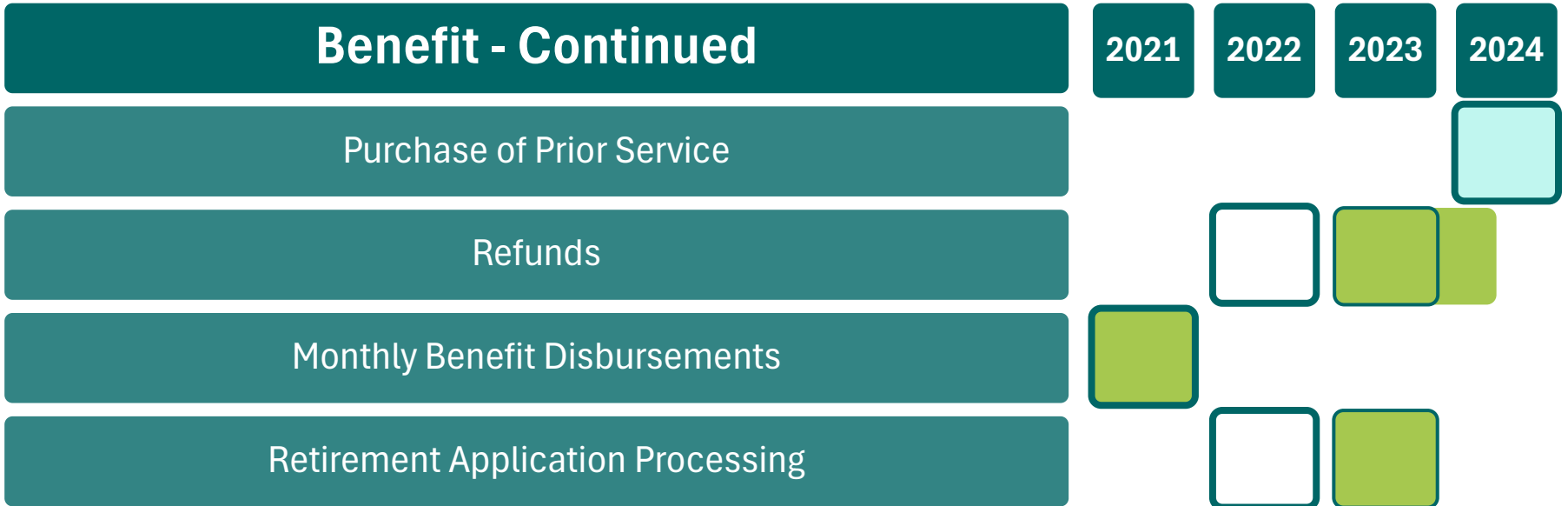
# FY 2021 – FY 2024 Long-Range Plan

Progress Report as of June 30, 2024



# FY 2021 – FY 2024 Long-Range Plan

Progress Report as of June 30, 2024



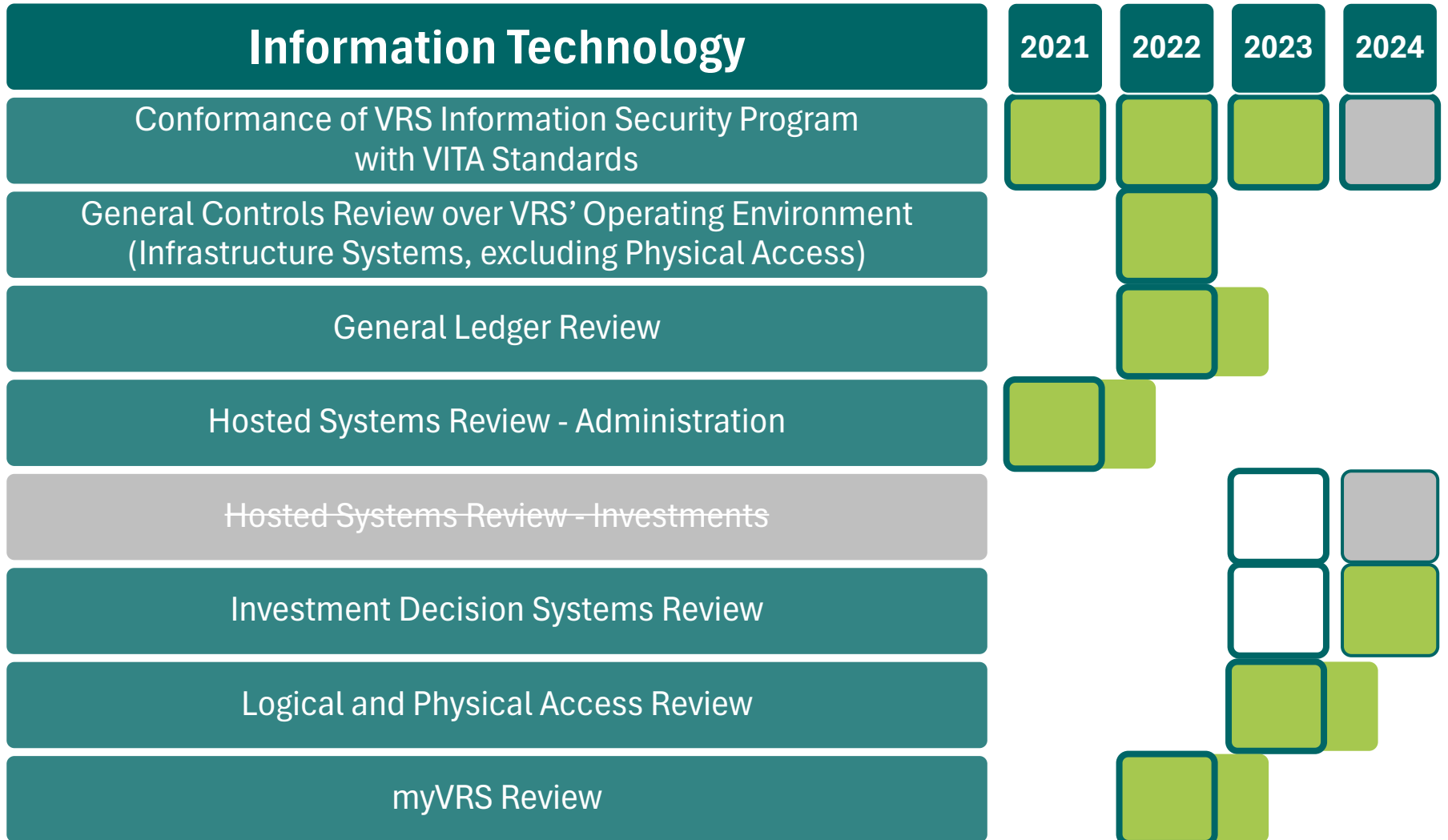
# FY 2021 – FY 2024 Long-Range Plan

Progress Report as of June 30, 2024



# FY 2021 – FY 2024 Long-Range Plan

Progress Report as of June 30, 2024



# FY 2021 – FY 2024 Long-Range Plan

Progress Report as of June 30, 2024

Information Technology - Continued	2021	2022	2023	2024
VNAV and Related Systems Review	Completed	Completed		
Public Website Review	Planned			Deferred
VRS Infrastructure Review			Planned	In-Progress

# FY 2021 – FY 2024 Long-Range Plan

Progress Report as of June 30, 2024

Other Assurance Activities	2021	2022	2023	2024
Audit Recommendation Follow-up System (Quarterly and Annual Review)	Completed	Completed	Completed	Completed
Fraud, Waste and Abuse Reporting	Completed	Completed	Completed	Completed
Modernization Program Monitoring	Completed	Completed		
Quality Assurance Improvement Program	Completed	Completed	Completed	Completed
Review of Incentive Compensation Plan	Completed	Completed	Completed	Completed
Review of Agency Performance Outcomes and Operational Measures	Completed	Completed	Completed	Completed
Verification of Cost-of-Living Adjustments	Completed	Completed	Completed	Completed



# Proposed Long-Range and Annual Plans



## Internal Audit

# Proposed FY 2025 – FY 2027 Long-Range Plan Proposed FY 2025 Annual Plan

September 18, 2024

# Developing the Plans

Requires consideration of:

- What VRS does
- Why they do it
- How they do it
- What are the trends
- What are the risks
- Available resources and their skills



# VRS Administered Benefits

## Retirement Plans

### Defined Benefit Plans

- **VRS** (Plan 1 and Plan 2) – State, Teachers, Local
- **SPORS** (Plan 1 and Plan 2)
- **JRS** (Plan 1 and Plan 2)
- **VaLORS** (Plan 1 and Plan 2)

### Defined Contribution Plans\*

- **Hybrid 457/Commonwealth of Virginia Deferred Compensation Plan**
- **Hybrid 401(a)/Virginia Cash Match Plan**
- **Optional Retirement Plan for Political Appointees (ORPPA)**
- **Optional Retirement Plan for School Superintendents (ORPSS)**
- **Virginia Supplemental Retirement Plan (VRSP)**
- **Optional Retirement Plan for Higher Education (ORPHE) – Plan 1 and Plan 2**

### Hybrid Retirement Plan\*

- **VRS** - State, Teachers, Local
- **JRS**

## Other Post Employment Benefits

- **Life Insurance Plans\***
- **Traditional Disability Retirement** (local and school employees pre-hybrid)
- **Virginia Sickness and Disability Program\*** (state employees)
- **Virginia Local Disability Program\*** (local and school employees in Hybrid)
- **Long-Term Care Insurance Plans\***
- **Health Insurance Credit**

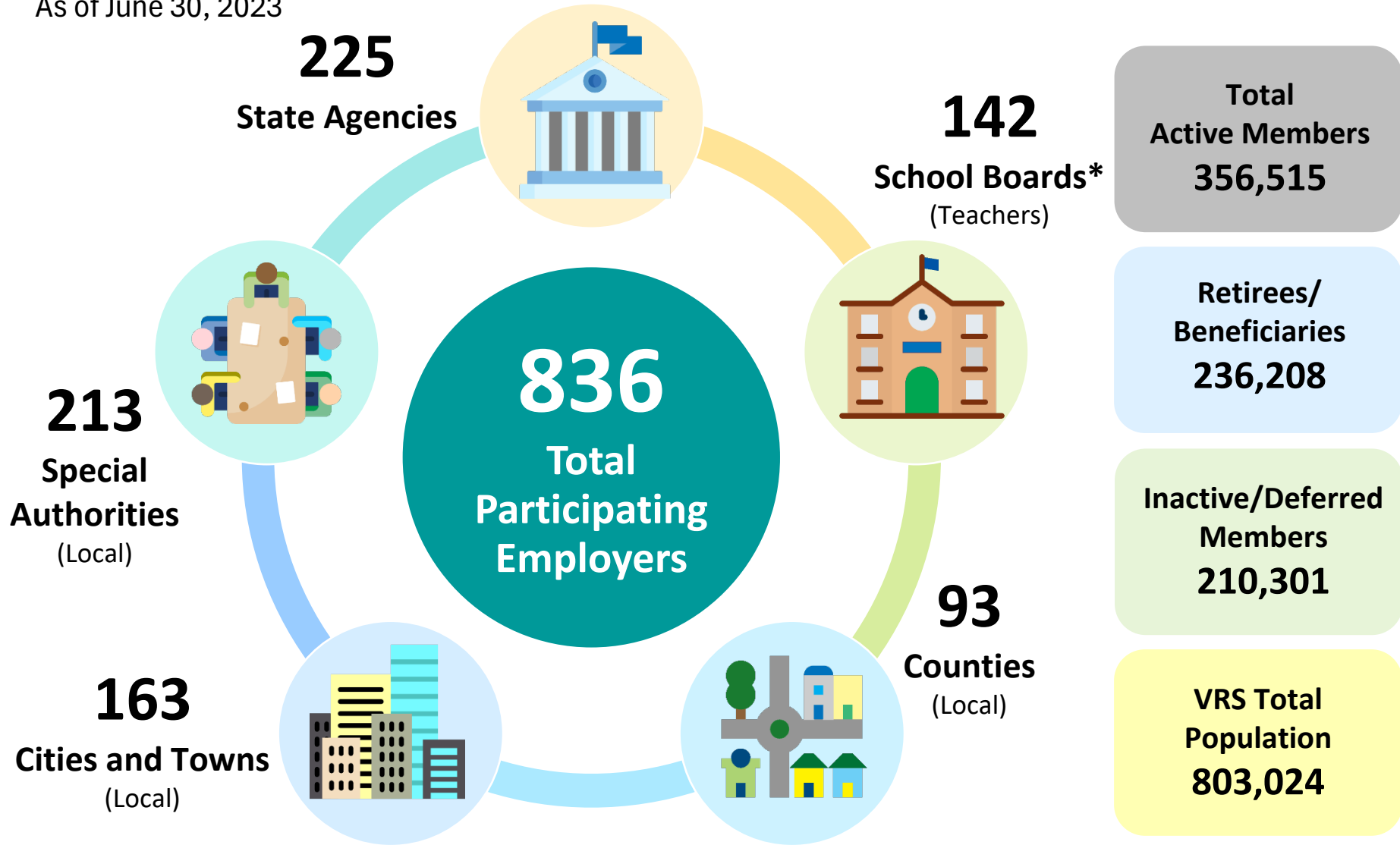
## Other Programs

- **Line of Duty Act (LODA)**
- **Virginia Volunteer Firefighters' and Rescue Squad Workers' Service Award Program (VOLSAP)**
- **Commonwealth Health Research Fund**

\* Denotes third-party administrator

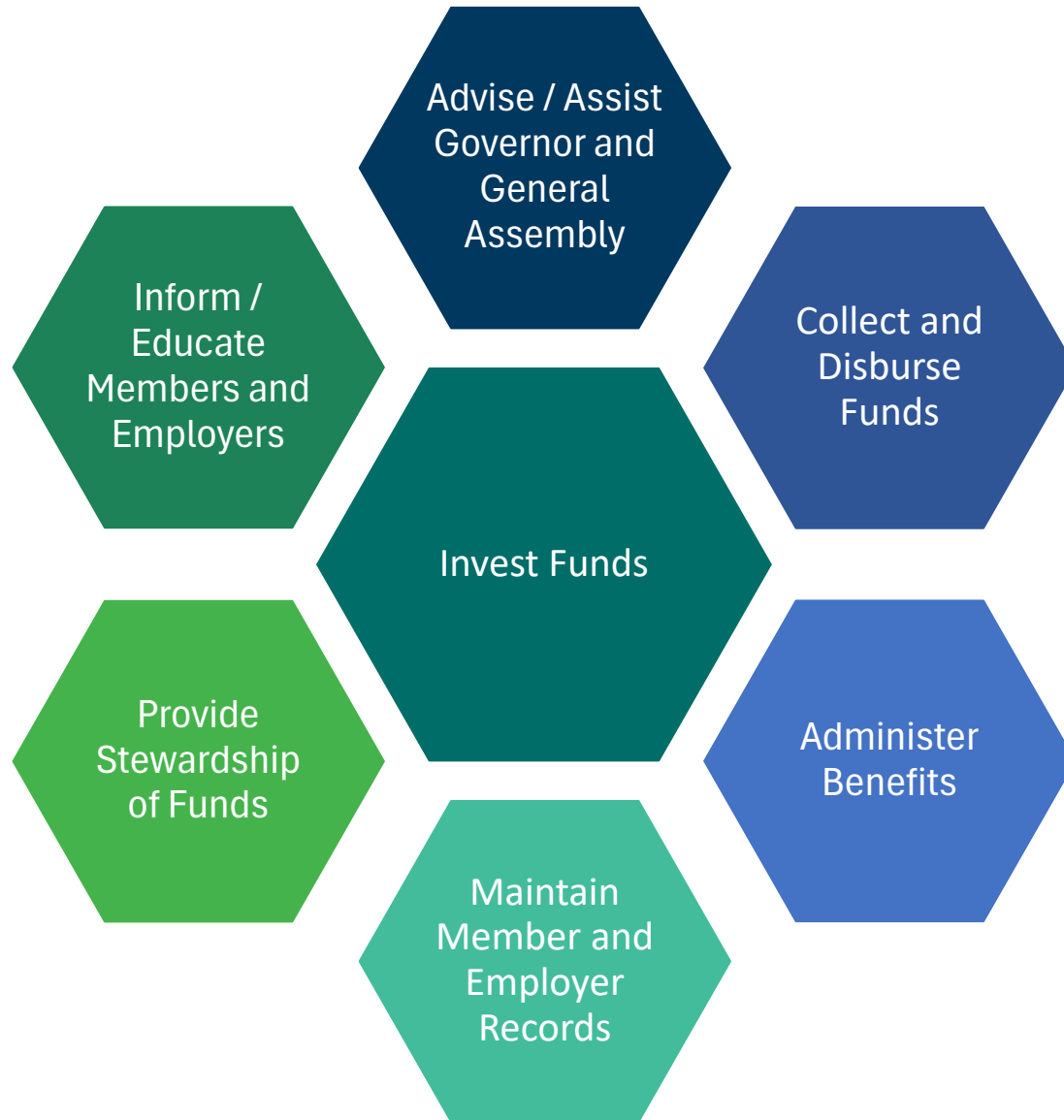
# Participating Employers and Members

As of June 30, 2023



\* Of the 142 school boards, 133 also provide coverage for non-teacher employees and are treated as political subdivisions.

# Major Administrative Functions



# Major Administrative Functions

- Policy
- Compliance
- Legislation Coordination
- Liaison and Constituent Inquiries
- FOIA Support

- Human Resources**
- Talent Management
- Classification and Compensation
- Internal Communications
- Employee Wellness

- Information Technology**
- Cybersecurity
- Business Solutions
- Infrastructure Management
- Technology Management

- Accounts Receivable
- Member / Employer Contributions
- Purchase of Prior Service

- Monthly / Non-Recurring Disbursements
  - Pension Benefits (89%)
  - Other Trust Fund Benefits (8%)
  - Refunds (2%)
- Tax Reporting
- Accounts Payable
- Administrative Operational Expenses
  - Internal Agency Payroll
  - SPCC

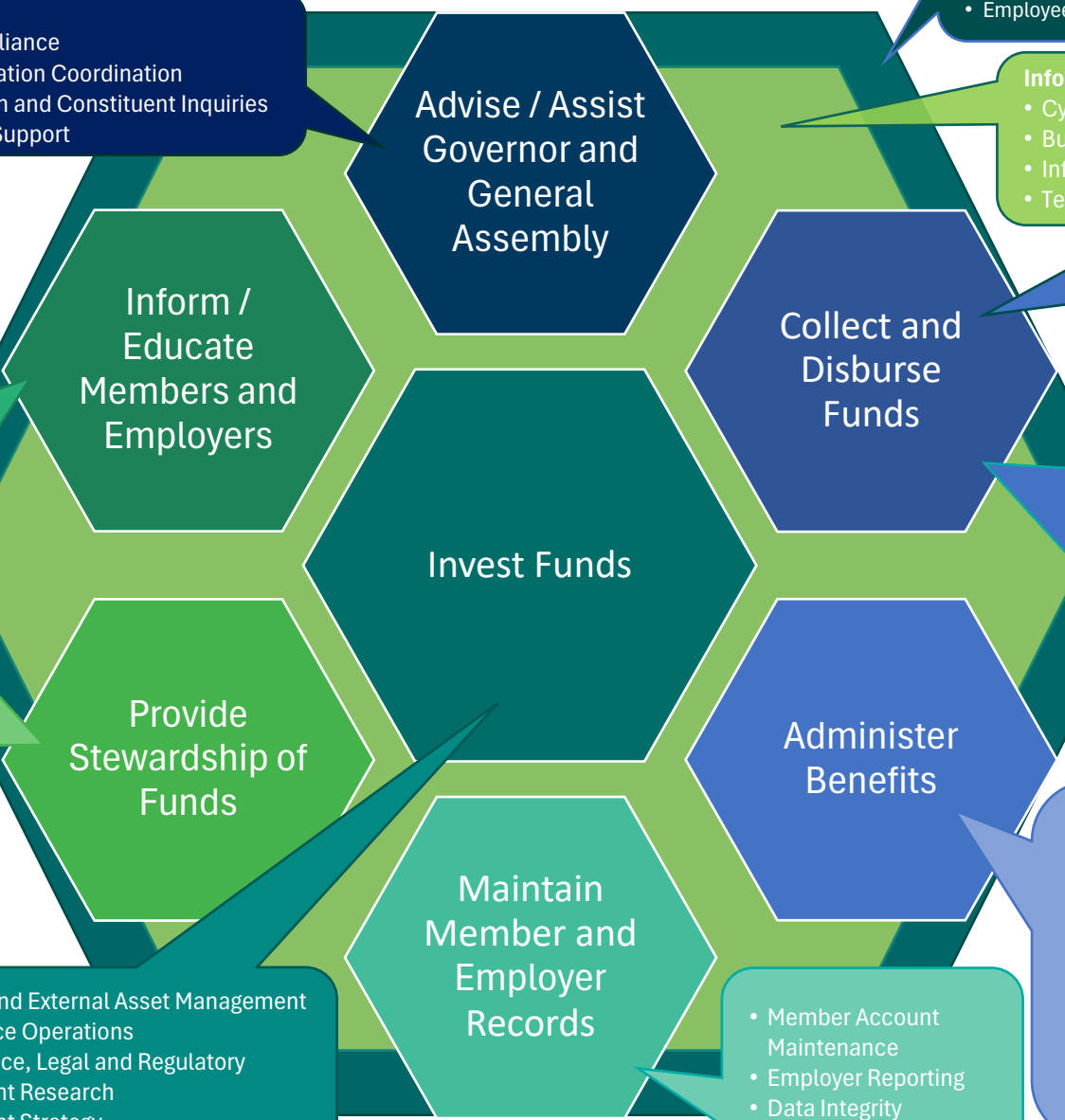
- Member Services
- Retiree Services
- DC Plans Administration
- Financial Planning and Wellness Services
- VSDP/VLDP, Long-Term Care
- Customer Counseling Center
- Training and Education
- Legal Support: ADROs/POAs, Appeals

- Member Account Maintenance
- Employer Reporting
- Data Integrity

- Internal and External Asset Management
- Back Office Operations
- Compliance, Legal and Regulatory
- Investment Research
- Investment Strategy

- Websites
- Newsletters and News Sites
- Handbooks, Guides and Brochures
- Employer Outreach
- Media Relations
- Social Media
- Communications
- Training and Education
- Customer Counseling Center

- Financial Reporting
- General Accounting
- Financial Controls
- Actuarial Services
- Budget Administration
- Cash Management
- Investment Accounting
- Procurement and Contract Administration
- Legal Support: Litigation





# Strategic Direction



**Goals are designed to further position VRS as a proactive, innovative and forward-thinking organization**



# Hot Topics: Trends and Risks



Cyber Security



IT Hardware and Software Management



Artificial Intelligence



Regulatory and Legislative Changes



Data Security



Data Governance



Talent Management



Communications/Reputation



Third-Party Management



Fraud



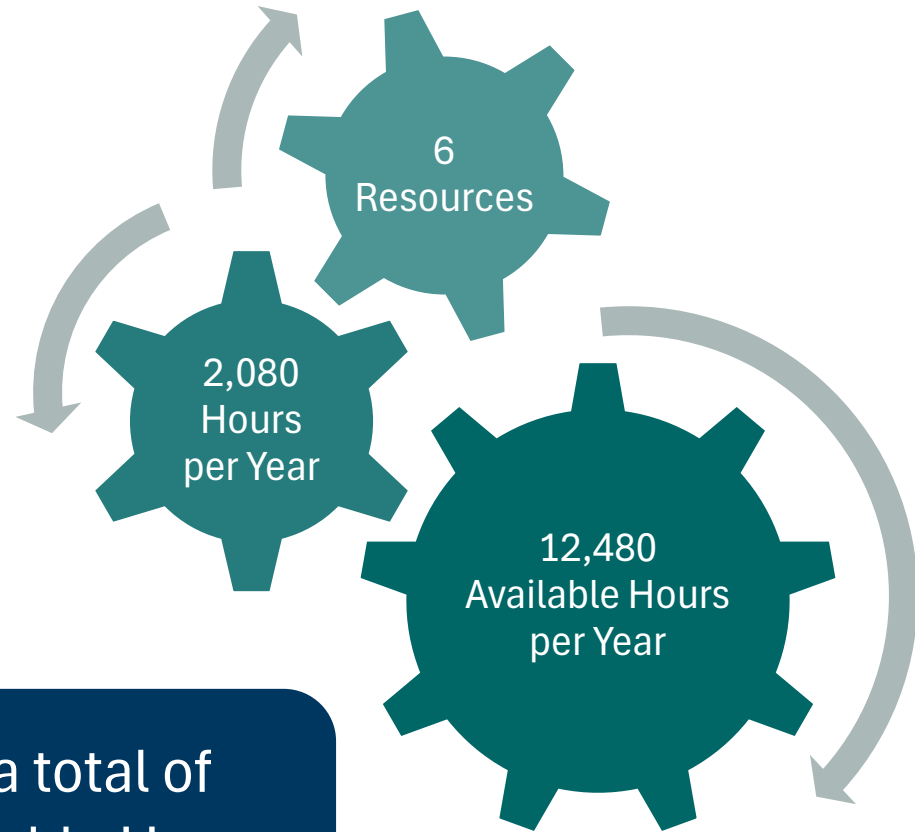
Financial Liquidity



Market Changes



# Available Resources and Time



Providing a total of  
37,440 Available Hours  
during the Proposed  
Long-Range Plan period

# Available Time – Pre-Committed

Certain portions of our Available Time is already spoken for:

## Information Technology Reviews



Commonwealth of Virginia Information Security Standards mandate the audit of **VRS' self-identified sensitive systems** once every three years

## Other Assurance Reviews and Reporting

Incentive Compensation

Agency Performance Outcomes and Operating Measures

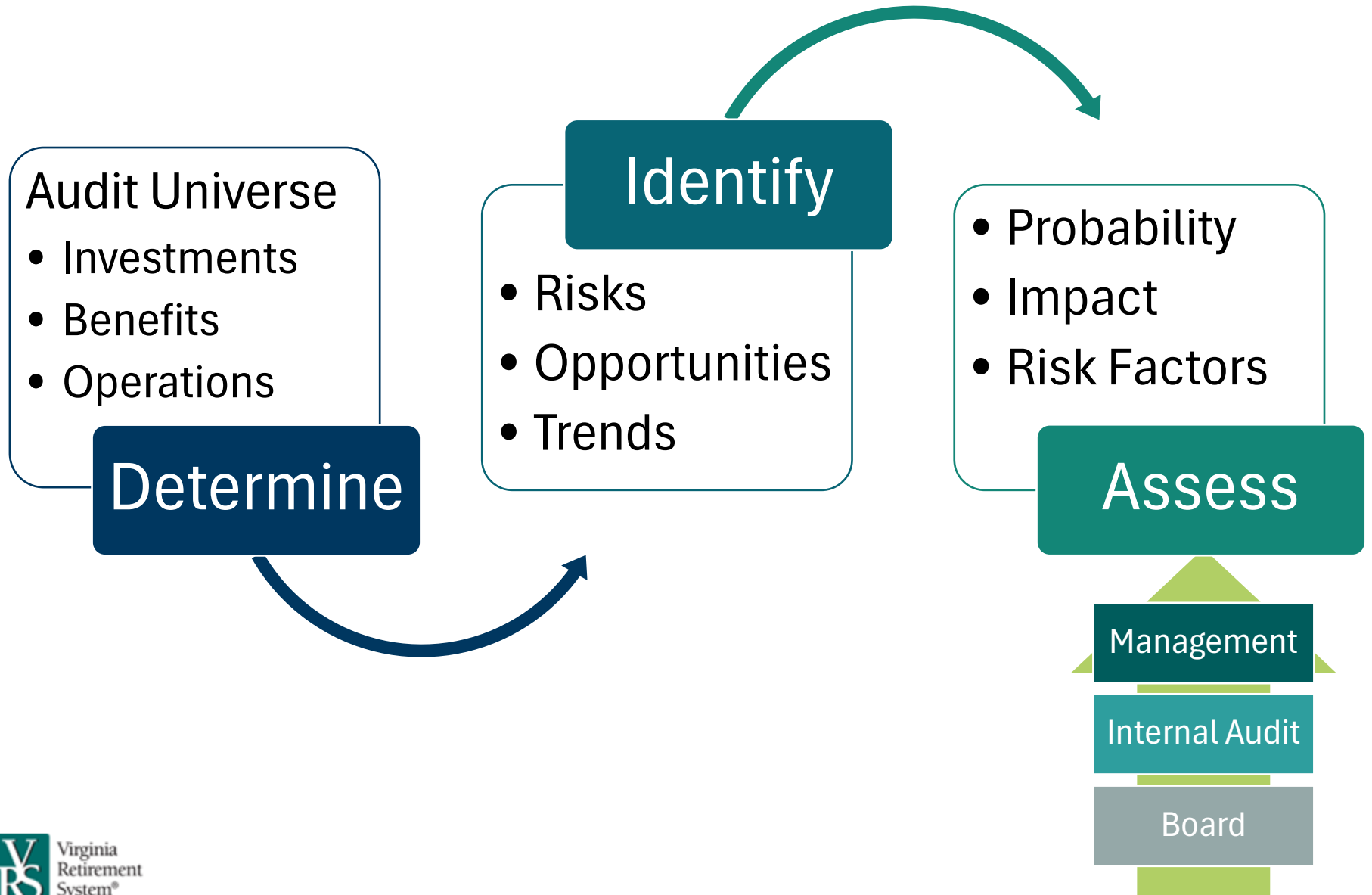
Cost-of-Living Adjustments

Audit Recommendation Monitoring

Fraud, Waste and Abuse

Quality Assurance Improvement Program

# Available Time – Risk Assessment Process



# Available Time – Risk Assessment Process

## Organizational Risk Factors

**Internal Audit  
and  
Management  
Input**

- A. Operational Risk**
- B. Change Risk**
- C. Complexity – Compliance Risk**
- D. Likelihood of Risk Event (including Fraud)**
- E. Information Technology Processing Maturity**
- F. Data Management Risk**
- G. Reputation Risk**

**Internal Audit  
Considerations**

- H. Financial Significance**
- I. Last Audited**
- J. Audit Issues Identified in Prior Audit**

**32**  
Non-  
Information  
Technology  
Related Areas  
for Review

# Proposed Long-Range Plan Considerations

- Unconstrained Budget (Do it all... But we can't)
- Available Resources
- Pre-Committed Time
- Mandated IT Projects and Other Assurance Activities
- Operational Priorities
- Ongoing and Upcoming Initiatives

Evaluated the ranking and timing of the items to develop the proposed Long-Range Plan within the existing constraints





# Proposed FY 2025 Annual Plan

- Derived from the Long-Range Plan
- Over time, the planned timing and actual timing will diverge
- Acknowledges our agility in responding to current events
- As this is the first year of the Long-Range Plan, no variance between the Annual Plan and Long-Range Plan

# Requests for Board Action

- Long-Range Plan
- Annual Plan





Proposed  
FY 2025 - FY 2027  
Long-Range Plan



# Proposed FY 2025 – FY 2027 Internal Audit Long-Range Plan

September 18, 2024

# FY 2025 – FY 2027 Long-Range Plan Proposed

- 1 Risk Based Projects
- 2 Sensitive Systems
- 3 Standards Mandated
- 4 Board Mandated

Carry-Over from Prior Long-Range Plan <sup>1</sup>	Risk Priority	2025	2026	2027
Investment Balances, Performance Reporting and Investment Manager Compensation	Low	<input type="checkbox"/>		
Purchase of Prior Service	High	<input type="checkbox"/>		

Operations <sup>1</sup>	Risk Priority	2025	2026	2027
Contract Administration and Third-Party Risk Management (Administration and Investments)	High			<input type="checkbox"/>
Procurement (Administration and Investments)	High		<input type="checkbox"/>	

Legend:  Planned Year for Performance

# FY 2025 – FY 2027 Long-Range Plan Proposed

- 1 Risk Based Projects
- 2 Sensitive Systems
- 3 Standards Mandated
- 4 Board Mandated

Benefits <sup>1</sup>	Risk Priority	2025	2026	2027
Deferred Compensation and Cash Match Programs	High		<input type="checkbox"/>	
Disability Retirements	Low			<input type="checkbox"/>
Group Life Insurance and Death Processing	Medium	<input type="checkbox"/>		
Health Insurance Credit and Premium Benefits	Medium	<input type="checkbox"/>		
Long-Term Care Program	Low		<input type="checkbox"/>	
Managed Disabilities Programs (VSDP and VLDP)	Medium			<input type="checkbox"/>
Refunds	Medium			<input type="checkbox"/>
Retiree Disbursements	High	<input type="checkbox"/>		
Service Retirements	Medium		<input type="checkbox"/>	

Legend:  Planned Year for Performance

# FY 2025 – FY 2027 Long-Range Plan Proposed

- <sup>1</sup> Risk Based Projects
- <sup>2</sup> Sensitive Systems
- <sup>3</sup> Standards Mandated
- <sup>4</sup> Board Mandated

Investments <sup>1</sup>	Risk Priority	2025	2026	2027
Fixed Income	Low			<input type="checkbox"/>
Internal Equity Management	Medium			<input type="checkbox"/>
Investment Compliance and Legal and Regulatory Oversight	Medium		<input type="checkbox"/>	
Leverage Program	High	<input type="checkbox"/>		
Private Equity	Medium		<input type="checkbox"/>	
Real Assets	Medium	<input type="checkbox"/>		

Legend:  Planned Year for Performance

# FY 2025 – FY 2027 Long-Range Plan Proposed

- 1 Risk Based Projects
- 2 Sensitive Systems
- 3 Standards Mandated
- 4 Board Mandated

Information Technology <sup>2</sup>	Risk Priority	2025	2026	2027
Access Management	High			<input type="checkbox"/>
Backup and Recovery	High		<input type="checkbox"/>	
File Management	High			<input type="checkbox"/>
Investment Decision Systems	High			<input type="checkbox"/>
IT Governance	High		<input type="checkbox"/>	
myVRS	High		<input type="checkbox"/>	
Networking and Computing	High	<input type="checkbox"/>		
VNAV and ECM	High	<input type="checkbox"/>		

Legend:  Planned Year for Performance

# FY 2025 – 2027 Long-Range Plan Proposed

- 1 Risk Based Projects
- 2 Sensitive Systems
- 3 Standards Mandated
- 4 Board Mandated

Other Assurance Reporting	2025	2026	2027
Audit Recommendation Follow-Up System (Quarterly and Annual Review) <sup>3</sup>			
Fraud, Waste and Abuse Reporting <sup>4</sup>			
Quality Assurance Improvement Program <sup>3</sup>			
Quality Assurance Review <sup>3</sup>			
Review of Incentive Compensation <sup>4</sup>			
Review of Agency Performance Outcomes and Operational Measures <sup>4</sup>			
Verification of Cost-of-Living Adjustments <sup>4</sup>			

---

**Approve FY 2025-FY2027 Long-Range Audit Plan.**

---

**Requested Action**

The VRS Board of Trustees approves the proposed FY2025-2027 Long-Range Audit Plan.

**Description/Background**

The Audit Director has developed a comprehensive risk assessment process to identify and prioritize the work of the Internal Audit Department in line with organizational and operational risk priorities of the Board of Trustees and VRS management. The process is applied against a universe of potential audit projects and results in the creation of a long-range three-year audit plan, from which the annual audit plan is derived.

When developing the long-range audit plan, consideration is given to the impact of mandatory audit activities, such as the review of VRS' sensitive systems required by the Virginia IT Agency (VITA), on the available resources and the ability of those resources to cover both the risk-based and mandatory items. Due to the relative level of risk as well as the available resources, not all items within the potential audit universe should be or will be subject to audit during the long-range audit plan.

**Rationale for Requested Action**

The proposed long-range audit plan is brought forward once every three years for Board consideration and approval, ensuring the work of the Internal Audit Department remains in alignment with organizational and operational risk priorities.

**Authority for Requested Action**

Section V.C.6 of the VRS Board of Trustees' Governance Policy delegates the responsibility of developing a comprehensive long-range audit plan to the Audit Director and providing that plan to the Audit and Compliance Committee and the Board of Trustees for review and approval.

The above action is approved.

---

A. Scott Andrews, Chair  
VRS Board of Trustees

---

Date



# Proposed Annual Plan for FY 2025



# Proposed FY 2025 Internal Audit Annual Plan

September 18, 2024

# FY 2025 Annual Plan

## Proposed

- <sup>1</sup> Risk Based Projects
- <sup>2</sup> Sensitive Systems
- <sup>3</sup> Standards Mandated
- <sup>4</sup> Board Mandated

### Benefits <sup>1</sup>

Group Life Insurance and Death Processing	Med
Health Insurance Credit and Premium Benefits	Med
Retiree Disbursements	High

### Investments <sup>1</sup>

Leverage Program	High
Real Assets	Med

### Information Technology <sup>2</sup>

Networking and Computing	High
VNAV and ECM	High

### Carry-Over from Prior Long-Range Plan <sup>1</sup>

Investment Balances, Performance Reporting and Investment Manager Compensation	Low
Purchase of Prior Service	High

### Other Assurance Reporting

Audit Recommendation Follow-Up System (Quarterly and Annual Review) <sup>3</sup>
Fraud, Waste and Abuse Reporting <sup>4</sup>
Quality Assurance Improvement Program <sup>3</sup>
Quality Assurance Review <sup>3</sup>
Review of Incentive Compensation <sup>4</sup>
Review of Agency Performance Outcomes and Operational Measures <sup>4</sup>
Verification of Cost-of-Living Adjustments <sup>4</sup>

Derived from FY 2025 – FY 2027 Long-Range Plan

---

**Approve FY 2025 Annual Audit Plan.**

---

**Requested Action**

The VRS Board of Trustees approves the proposed FY 2025 Annual Audit Plan.

**Description/Background**

The Audit Director has developed a comprehensive risk assessment process to identify and prioritize the work of the Internal Audit Department in line with organizational and operational risk priorities of the Board of Trustees and VRS management. The process is applied against a universe of potential audit projects within the limitations created by the available audit resources and results in the creation of a Long-Range three-year audit plan.

Annually the Audit Director looks to the guidance provided by the Long-Range plan and develops the Annual Audit plan. FY 2025 is the first year in the Long-Range plan, as a result it directly reflects the composition of projects proposed by the Long-Range plan.

**Rationale for Requested Action**

The proposed Annual Audit Plan, derived from the approved Long-Range plan, is brought forward annually for Board consideration and approval, ensuring the work of the Internal Audit Department remains in alignment with organizational and operational risk priorities.

**Authority for Requested Action**

Section V.C.6 of the VRS Board of Trustees' Governance Policy delegates the responsibility of developing a comprehensive annual audit plan to the Audit Director and providing that plan to the Audit and Compliance Committee and the Board of Trustees for review and approval.

The above action is approved.

---

A. Scott Andrews, Chair  
VRS Board of Trustees

---

Date

# Quarterly Report on Fraud, Waste and Abuse Hotline Cases

# Report of Alleged Fraud, Waste and Abuse Hotline Cases

**For Complaints Received During the Period  
May 1, 2024 through July 31, 2024**

## SUMMARY OF CASES REVIEWED AND CLOSED

During the period May 1, 2024 through July 31, 2024, we received two cases of potential fraud, waste and abuse from the Office of the State Inspector General. The first case alleged a lack of proper oversight over VRS IT contract management. The case was unsubstantiated and thus closed. The second case alleged abuse of the VITA state contract process. The case was determined to be unfounded and was closed.

VRS Control Number	Date Complaint Received	Noted Concern	VRS Personnel Assisting with Allegation	Case Closed	Resolution	Source of the Complaint	Report to OSIG
47	6/5/2024	There is an allegation of lack of proper oversight for IT contracts.	Leslie Weldon	Yes	The case was unsubstantiated.	OSIG	No
48	7/15/2024	There is an allegation of improper use of VITA state contracts.	Robert Robinson	Yes	The case was unfounded.	OSIG	No

## Background

Fraud, Waste and Abuse relating to VRS can be comprised of any number of concerns. Such items can be reported to VRS' Internal Audit Department directly or through the Office of the State Inspector General (OSIG) State Employee Fraud, Waste and Abuse Hotline. (A majority of complaints are received through OSIG.)

All matters that relate to Fraud, Waste and/or Abuse reported are reviewed to determine the proper protocol for investigation.

## Committee Reporting

Cases of a serious and/or significant nature will be reported to the VRS Audit and Compliance Committee immediately. At a minimum, a summary of all Hotline cases will be reported to the Audit and Compliance Committee on a quarterly basis.

## Retention

Hardcopy documents, including handwritten notes, are stored in a secure location until the case is closed, upon which they are shredded. Electronic files are stored on Internal Audit's secured drive. Documentation containing case details are labeled "**CONFIDENTIAL – STATE FRAUD, WASTE AND ABUSE HOTLINE DOCUMENTS**" and sensitive items are labeled FOIA Exempt. As appropriate, files are disposed of in accordance with the Library of Virginia's retention policy.

# FRAUD, WASTE AND ABUSE CASE MANAGEMENT

## PROCESSING OF COMPLAINTS

When received, the Audit Director and Hotline Auditor perform a preliminary review of the complaint. After initial discussion, the Hotline Auditor determines whether a formal response is required by OSIG (cases referred by OSIG may or may not require a formal response, depending on the nature of the complaint) and adds the case to Internal Audit's Hotline Tracking System.

The Hotline Auditor sets up a case file on Internal Audit's secured and restricted drive to maintain confidentiality. The Hotline Auditor then evaluates the case details and may review information available in VRS' systems to obtain further details about the subject of the complaint. Additionally, the Hotline Auditor may forward the details of the case to other VRS personnel for review. The Hotline Auditor also notifies the VRS Director of the case.

Complaints regarding disability benefits constitute the large majority of the Hotline cases received by VRS. The Hotline Auditor will meet with appropriate VRS staff, as necessary, to discuss details of the case in order for all parties to proceed forward with their portion of the investigation. Complaints forwarded to others are monitored for resolution. Actions and determinations for cases are reviewed for reasonableness by the Hotline Auditor. Once a determination of appropriate action has occurred, such action is documented in the Internal Audit case file and on the Hotline Tracking System. The Internal Audit Director is apprised of all actions and determinations.

For other complaints, such as internal fraud, waste or abuse (examples could include abuses of various types of leave, teleworking policies, employee theft, etc.), the Hotline Auditor investigates the allegation and obtains supporting documentation from management, as needed. If a determination is made that there is a reasonable possibility of fraud, waste or abuse, management is notified of the allegation by the Audit Director and given a reasonable timeframe in which to report back to the Audit Director any actions taken regarding the allegation. The Audit Director determines the reasonableness of such action, reports the actions and resolution of the complaint to the Hotline Auditor who documents the results in the case file and on the Hotline Tracking System.

All investigation results are reported to the VRS Director and members of the VRS Audit and Compliance Committee once a case is resolved, regardless of the outcome.




# Miscellaneous Updates



Patricia S. Bishop  
Director

## MEMORANDUM

**To:** Jennifer P. Schreck, Internal Audit Director  
**From:** Patricia S. Bishop, Director   
**Date:** September 10, 2024  
**Subject:** Summary of Travel Related Expenses

I am attaching the following:

1. Summary of Travel Related Expenses Paid During the Quarter of and Fiscal Year-to-Date Through June 30, 2024.
2. Summary of Other Sponsored Travel Related Expenses Paid During the Quarter of and Fiscal Year-to-Date Through June 30, 2024. **There were no reportable Other Sponsored Travel Related Expenses for these periods.**
3. Detail of Travel Related Expenses Paid During the Quarter of and Fiscal Year-to-Date Through June 30, 2024.
4. Record of Attendance and Per Diems for the Quarters Ended June 30, 2024.

This information should be shared with the Audit & Compliance Committee.

If you have any questions, please do not hesitate to ask.

PSB/lbk

Attachments

**Summary of Travel Related Expenses**  
**Virginia Retirement System**  
**Board/Committee Members and Selected VRS Staff**

Fiscal Year-To-Date **Q4 2024**

Traveler	Current Quarter Expenses											Fiscal Year-To-Date Expenses					
	Total Travel			Out-of-State-Travel								Total Travel			Out-of-State-Travel		
	Sponsor Paid	VRS Paid	Total	# Trips	Cost	Travel reasons							Sponsor Paid	VRS Paid	Total	# Trips	Cost
AM						BD	CF	DD	MM	SV	TR						
Andrews, Allen	-	\$313.72	\$313.72	-	-	-	-	-	-	-	-	-	-	\$1,728.34	\$1,728.34	-	-
Beasley, Michael	-	\$1,078.18	\$1,078.18	-	-	-	-	-	-	-	-	-	-	\$3,383.34	\$3,383.34	-	-
Bell II, John	-	\$525.28	\$525.28	-	-	-	-	-	-	-	-	-	-	\$2,844.38	\$2,844.38	-	-
Deo, Ravindra	-	\$151.20	\$151.20	-	-	-	-	-	-	-	-	-	-	\$577.49	\$577.49	-	-
Disharoon, Michael	-	\$589.60	\$589.60	-	-	-	-	-	-	-	-	-	-	\$1,782.19	\$1,782.19	-	-
Hood, Jessica	-	\$1,652.70	\$1,652.70	-	-	-	-	-	-	-	-	-	-	\$5,710.21	\$5,710.21	-	-
Irvin, Shannon	-	-	-	-	-	-	-	-	-	-	-	-	-	\$322.26	\$322.26	-	-
James, Matthew	-	\$1,004.06	\$1,004.06	-	-	-	-	-	-	-	-	-	-	\$1,143.42	\$1,143.42	-	-
Lewis, Wilbert	-	\$1,232.20	\$1,232.20	-	-	-	-	-	-	-	-	-	-	\$2,368.40	\$2,368.40	-	-
Montgomery, Joseph	-	-	-	-	-	-	-	-	-	-	-	-	-	\$441.84	\$441.84	-	-
Bishop, Patricia	-	\$5,038.22	\$5,038.22	2	\$5,038.22	2	-	-	-	-	-	-	\$1,400.43	\$14,799.40	\$16,199.83	6	\$16,199.83
Chenault, Jeanne	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,343.81	\$3,343.81	1	\$3,343.81
Junkin, Andrew	-	\$6,879.93	\$6,879.93	4	\$6,879.93	-	-	4	-	-	-	-	-	\$17,928.84	\$17,928.84	12	\$17,850.50
Mattson, Curtis	-	\$749.33	\$749.33	1	\$749.33	-	1	-	-	-	-	-	-	\$2,011.06	\$2,011.06	2	\$2,011.06
Schreck, Jennifer	-	\$2,143.23	\$2,143.23	1	\$2,143.23	-	-	1	-	-	-	-	-	\$4,452.03	\$4,452.03	2	\$4,390.03
Weldon, Leslie	-	\$2,112.67	\$2,112.67	1	\$1,939.55	-	-	1	-	-	-	-	-	\$2,112.67	\$2,112.67	1	\$1,939.55
Adelaar, Stephen	-	\$1,222.75	\$1,222.75	1	\$1,222.75	-	-	1	-	-	-	-	-	\$5,226.47	\$5,226.47	5	\$5,226.47
Alouf, John	\$2,367.25	\$8,208.31	\$10,575.56	5	\$10,396.82	1	-	1	1	2	2	-	\$31,843.38	\$16,359.47	\$48,202.85	17	\$48,024.11
Apte, Advait	-	\$2,450.08	\$2,450.08	2	\$2,450.08	-	-	2	-	-	-	-	-	\$4,784.75	\$4,784.75	4	\$4,784.75
Ball, Daniel	\$8,335.40	\$43.18	\$8,378.58	1	\$8,378.58	1	-	-	-	1	-	-	\$8,335.40	\$3,233.23	\$11,568.63	4	\$11,450.07
Bennett, Matthew	-	\$1,350.60	\$1,350.60	1	\$1,350.60	-	-	-	1	1	-	-	\$10,279.36	\$2,017.66	\$12,297.02	3	\$12,297.02
Billingslea, Erica	-	\$2,435.66	\$2,435.66	2	\$2,435.66	-	-	1	1	-	-	-	\$3,196.82	\$5,420.10	\$8,616.92	6	\$8,616.92
Bliss, Kevin	-	\$3,006.17	\$3,006.17	1	\$3,006.17	1	-	-	-	1	-	-	\$10,059.51	\$5,946.48	\$16,005.99	4	\$16,005.99

**Summary of Travel Related Expenses**  
**Virginia Retirement System**  
**Board/Committee Members and Selected VRS Staff**

Fiscal Year-To-Date **Q4 2024**

Traveler	Current Quarter Expenses											Fiscal Year-To-Date Expenses					
	Total Travel			Out-of-State-Travel								Total Travel			Out-of-State-Travel		
	Sponsor Paid	VRS Paid	Total	# Trips	Cost	Travel reasons							Sponsor Paid	VRS Paid	Total	# Trips	Cost
AM						BD	CF	DD	MM	SV	TR						
Carlson, Ryan	-	\$2,642.75	\$2,642.75	1	\$2,642.75	-	-	1	-	-	-	-	-	\$4,235.36	\$4,235.36	2	\$4,235.36
Chang, Warren	\$16,560.91	\$2,083.42	\$18,644.33	4	\$18,075.64	3	-	-	-	4	-	-	\$44,355.50	\$6,200.14	\$50,555.64	14	\$49,986.95
Coleman, Thomas	\$2,044.48	\$634.78	\$2,679.26	2	\$2,092.96	2	-	-	-	2	-	-	\$7,721.19	\$5,999.75	\$13,720.94	8	\$11,976.63
Copeland, Dennis	-	-	-	-	-	-	-	-	-	-	-	-	-	\$966.35	\$966.35	1	\$966.35
Corsello, Perry	\$7,775.99	\$38.91	\$7,814.90	3	\$7,814.90	3	-	-	-	-	-	-	\$13,761.57	\$2,556.06	\$16,317.63	7	\$16,180.10
Gentry III, William	\$1,872.59	\$3,568.18	\$5,440.77	3	\$5,440.77	2	-	-	-	2	1	-	\$20,494.18	\$9,115.87	\$29,610.05	14	\$29,610.05
Glass, Holly	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,172.78	\$1,172.78	1	\$1,172.78
Grier, John	-	-	-	-	-	-	-	-	-	-	-	-	-	\$8,278.11	\$8,278.11	3	\$8,278.11
Haleem, Mdmehtab	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,750.76	\$1,750.76	1	\$1,750.76
Hines, Gregory	-	\$16,568.08	\$16,568.08	4	\$16,568.08	-	-	4	-	-	-	-	-	\$23,307.04	\$23,307.04	8	\$23,307.04
Honrado, Cordell	-	\$3,753.40	\$3,753.40	3	\$3,753.40	-	-	2	-	-	-	1	-	\$8,025.78	\$8,025.78	6	\$8,025.78
Jones, De'Von	\$23,087.00	\$4,474.95	\$27,561.95	8	\$27,561.95	6	-	1	2	5	1	-	\$39,143.89	\$8,845.09	\$47,988.98	15	\$47,988.98
Kennebeck, Joseph	-	\$4,129.72	\$4,129.72	1	\$4,129.72	-	-	1	-	-	-	-	-	\$6,263.69	\$6,263.69	2	\$6,263.69
Koutrakos, Kristina	-	\$10,367.77	\$10,367.77	4	\$10,367.77	-	1	1	-	2	-	-	-	\$24,370.27	\$24,370.27	9	\$24,370.27
Lacy, Matthew	-	-	-	-	-	-	-	-	-	-	-	-	-	\$543.01	\$543.01	1	\$543.01
Le, Vu	-	\$4,799.18	\$4,799.18	2	\$4,799.18	-	-	2	-	-	-	-	-	\$17,903.67	\$17,903.67	5	\$17,903.67
Ma, Chung	-	\$5,011.21	\$5,011.21	2	\$5,011.21	-	-	1	-	1	-	-	-	\$8,357.19	\$8,357.19	4	\$8,357.19
Matoua, Katherine	-	\$1,618.53	\$1,618.53	2	\$1,618.53	-	-	-	-	2	-	-	-	\$4,840.29	\$4,840.29	5	\$4,840.29
Molla, Kidus	-	\$3,608.66	\$3,608.66	1	\$3,608.66	-	-	1	-	-	-	-	-	\$3,608.66	\$3,608.66	1	\$3,608.66
Mulvin, Thomas	\$1,896.80	\$1,584.44	\$3,481.24	3	\$3,481.24	1	-	-	1	1	2	-	\$3,258.01	\$2,702.95	\$5,960.96	5	\$5,960.96
Muniz, Alex	-	\$4,620.68	\$4,620.68	2	\$4,620.68	-	-	2	-	-	-	-	-	\$16,607.81	\$16,607.81	6	\$16,607.81
Murphy, James	-	-	-	-	-	-	-	-	-	-	-	-	\$23,404.70	\$13,543.72	\$36,948.42	4	\$36,948.42
Noland, Walker	\$1,960.82	\$4,028.99	\$5,989.81	5	\$5,989.81	1	-	1	2	1	3	-	\$5,578.22	\$10,368.64	\$15,946.86	12	\$15,840.36

Summary of Travel Related Expenses  
 Virginia Retirement System  
 Board/Committee Members and Selected VRS Staff  
 Fiscal Year-To-Date **Q4 2024**

Traveler	Current Quarter Expenses												Fiscal Year-To-Date Expenses					
	Total Travel			Out-of-State-Travel									Total Travel			Out-of-State-Travel		
	Sponsor Paid	VRS Paid	Total	# Trips	Cost	Travel reasons								Sponsor Paid	VRS Paid	Total	# Trips	Cost
AM						BD	CF	DD	MM	SV	TR							
Oliff Jr, Bryan	-	\$4,688.91	\$4,688.91	2	\$4,688.91	-	-	2	-	-	-	-	-	-	\$9,388.21	\$9,388.21	5	\$9,388.21
Pugliese, Laura	-	\$1,755.33	\$1,755.33	1	\$1,755.33	-	-	1	-	-	-	-	-	-	\$5,532.99	\$5,532.99	2	\$5,532.99
Rhodes, Garret	-	\$2,247.20	\$2,247.20	1	\$2,247.20	-	-	1	-	-	-	-	-	-	\$3,972.24	\$3,972.24	2	\$3,972.24
Sarki-Hurd, Hajara	\$4,426.63	\$946.95	\$5,373.58	3	\$5,373.58	1	1	-	1	1	-	-	\$5,350.14	\$3,783.42	\$9,133.56	6	\$8,964.57	
Schlussler, Daniel	-	\$5,084.29	\$5,084.29	2	\$4,705.29	-	-	2	-	-	-	-	-	\$11,633.82	\$11,633.82	5	\$11,254.82	
Scott, Michael	-	\$683.00	\$683.00	1	\$683.00	-	-	-	1	-	-	-	-	\$4,469.37	\$4,469.37	2	\$4,469.37	
Tentor, Lawrence	-	\$1,814.76	\$1,814.76	1	\$1,814.76	-	-	1	-	-	-	-	-	\$5,563.56	\$5,563.56	3	\$5,563.56	
Tran, Viet	\$2,190.29	\$4,961.79	\$7,152.08	5	\$7,152.08	1	-	1	1	3	1	-	\$6,988.58	\$6,130.50	\$13,119.08	10	\$13,119.08	
Turner, Korey	-	\$918.85	\$918.85	1	\$918.85	-	-	1	-	-	-	-	-	\$6,293.58	\$6,293.58	5	\$6,293.58	
Voeks III, Robert	\$1,050.17	\$14.74	\$1,064.91	1	\$1,064.91	1	-	-	-	1	-	-	\$15,277.49	\$4,267.19	\$19,544.68	10	\$19,544.68	
Whitlock, Daniel	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,134.68	\$1,134.68	1	\$1,134.68	
Woodall, Steven	-	-	-	-	-	-	-	-	-	-	-	-	-	\$8,844.03	\$8,844.03	4	\$6,077.27	
Zozulya, Olga	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,591.74	\$12,591.74	2	\$12,591.74	
<b>Total</b>	<b>\$73,568.33</b>	<b>\$138,836.54</b>	<b>\$212,404.87</b>	<b>90</b>	<b>\$203,972.08</b>	<b>26</b>	<b>3</b>	<b>37</b>	<b>11</b>	<b>30</b>	<b>10</b>	<b>1</b>	<b>\$250,448.37</b>	<b>\$381,106.16</b>	<b>\$631,554.53</b>	<b>258</b>	<b>\$604,770.12</b>	



**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Andrews, Allen	04/18/2024	04/18/2024	Richmond, VA		Attended a VRS Board of Trustees meeting.	-	\$150.08	\$150.08
Andrews, Allen	06/20/2024	06/20/2024	Richmond, VA		Attended VRS Board/Committee meetings.	-	\$150.08	\$150.08
Andrews, Allen	06/20/2024	06/20/2024	Richmond, VA		Attended VRS Board/Committee meetings.	-	\$13.56	\$13.56
Beasley, Michael	04/09/2024	04/10/2024	Richmond, VA		04-10-24 Investment Advisory Committee Meeting, Richmond, VA	-	\$1,078.18	\$1,078.18
Bell II, John	06/11/2024	06/11/2024	Richmond, VA		Attended an Audit and Compliance Committee meeting.	-	\$262.64	\$262.64
Bell II, John	06/20/2024	06/20/2024	Richmond, VA		Attended VRS Board meeting.	-	\$262.64	\$262.64
Deo, Ravindra	05/23/2024	05/23/2024	Richmond		DCPAC	-	\$151.20	\$151.20
Disharoon, Michael	04/10/2024	04/10/2024	Richmond, VA		Attended an Investment Advisory Committee meeting.	-	\$147.40	\$147.40
Disharoon, Michael	04/18/2024	04/18/2024	Richmond, VA		Attended a VRS Board of Trustees meeting.	-	\$147.40	\$147.40
Disharoon, Michael	06/11/2024	06/11/2024	Richmond, VA		Attended an Administration, Finance and Talent Management Committee meeting.	-	\$147.40	\$147.40

**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Disharoon, Michael	06/20/2024	06/20/2024	Richmond, VA		Attended VRS Board/Committee meetings.	-	\$147.40	\$147.40
Hood, Jessica	04/18/2024	04/18/2024	Richmond, VA		Attended a VRS Board of Trustees meeting.	-	\$479.72	\$479.72
Hood, Jessica	06/12/2024	06/12/2024	Richmond, VA		Attended a Benefits and Actuarial Committee meeting.	-	\$479.72	\$479.72
Hood, Jessica	06/20/2024	06/20/2024	Richmond, VA		Attended VRS Board/Committee meetings.	-	\$693.26	\$693.26
James, Matthew	04/10/2024	04/10/2024	Richmond, VA		Attended an Investment Advisory Committee meeting.	-	\$150.98	\$150.98
James, Matthew	04/17/2024	04/18/2024	Richmond, VA		Attended a VRS Board of Trustees meeting.	-	\$433.70	\$433.70
James, Matthew	05/23/2024	05/23/2024	Richmond, VA		Attended a VRS Defined Contributions Plans Advisory Committee meeting.	-	\$419.38	\$419.38
Lewis, Wilbert	03/19/2024	03/20/2024	Richmond, VA		Board of Trustees Retreat - March 19-20, 2024 - Richmond, VA	-	\$704.10	\$704.10
Lewis, Wilbert	04/09/2024	04/10/2024	Richmond, VA		Investment Advisory Committee Meeting - Wednesday, April 10, 2024 - Richmond, VA	-	\$528.10	\$528.10
Bishop, Patricia	04/03/2024	04/08/2024	Palm Springs, CA		Attended the National Association of State Retirement Administrators Executive Committee meeting.	-	\$1,899.45	\$1,899.45



**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Bishop, Patricia	06/12/2024	06/16/2024	New York City		Attended the National Council on Teacher Retirement Directors meeting.	-	\$3,138.77	\$3,138.77
Junkin, Andrew	04/09/2024	04/09/2024	Washington, DC		Real Estate and Infrastructure Summit, April 9, 2024 - Washington, DC	-	\$188.69	\$188.69
Junkin, Andrew	04/14/2024	04/17/2024	San Diego, California		2024 Capital Allocators Spring Summit - San Diego, CA	-	\$2,342.09	\$2,342.09
Junkin, Andrew	05/05/2024	05/08/2024	Beverly Hills, CA		2024 Milken Institute Global Conference - Beverly Hills, CA - May 5-8, 2024	-	\$3,746.47	\$3,746.47
Junkin, Andrew	05/20/2024	05/21/2024	Boca Raton, Florida		Blackstone AGM - CIO Panel - May 20-21, 2024 - Boca Raton, Florida	-	\$602.68	\$602.68
Mattson, Curtis	04/23/2024	04/24/2024	New York, NY		Bank of NY Mellon Client Advisory Board Meeting - April 23-24, 2024	-	\$749.33	\$749.33
Schreck, Jennifer	04/21/2024	04/24/2024	Chicago, IL		APPFA Spring Professional Development Conference	-	\$2,143.23	\$2,143.23
Weldon, Leslie	05/08/2024	05/08/2024	Virginia Beach, VA		Presenter at VGFOA annual conference	-	\$173.12	\$173.12
Weldon, Leslie	06/09/2024	06/12/2024	Orlando, FL		2024 GFOA Annual Conference	-	\$1,939.55	\$1,939.55
Adelaar, Stephen	05/29/2024	05/30/2024	New York		Attended the Goldman Sachs US Hedge Fund Symposium.	-	\$1,222.75	\$1,222.75

**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Alouf, John	04/03/2024	04/04/2024	Houston, TX		Travel to Houston, TX for On-sight Due Diligence meetings with Encap.	-	\$1,169.94	\$1,169.94
Alouf, John	05/02/2024	05/02/2024	Washington, DC		Lead Edge Capital 2024 DC LP Dinner in Washington DC	-	\$178.74	\$178.74
Alouf, John	05/14/2024	05/16/2024	Greenwich, CT, New York, NY and Boston, MA		Travel to Greenwich, CT to attend the annual meeting for Olympus VII; New York, NY for Apollo's Annual meeting, then to Boston, MA for onsite meetings with Harbourvest.	-	\$2,428.06	\$2,428.06
Alouf, John	05/20/2024	05/23/2024	Boston, MA and San Francisco, CA	Hellman and Friedman	Travel to Boston, MA to attend TA's 2024 Annual meeting; then to San Francisco for Hellman and Friedman's Annual Meeting and LPAC. The HF travel portion is sponsored travel.	\$2,367.25	\$2,163.93	\$4,531.18
Alouf, John	06/04/2024	06/05/2024	Chicago, IL		2024 ILPA Members' Conference in Chicago, IL	-	\$1,721.53	\$1,721.53
Alouf, John	06/11/2024	06/11/2024	Boston, MA		Travel to Boston, MA for on-site meetings with Bain Capital.	-	\$546.11	\$546.11
Apte, Advait	04/09/2024	04/09/2024	New York, NY		Tuesday, April 9th for a Wolfe conference for Advait Apte. New York, NY. Traveler will be returning the same day.	-	\$958.22	\$958.22
Apte, Advait	06/04/2024	06/06/2024	Boston, Ma		State Street's Markets and Financing Research Retreat for Advait Apte, June 4-6, 2024 in Boston, MA.	-	\$1,491.86	\$1,491.86
Ball, Daniel	06/01/2024	06/06/2024	London, England	Europa	Travel to London, England to attend Europa's Annual meeting and LPAC. This is sponsored travel.	\$8,335.40	\$43.18	\$8,378.58

**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Bennett, Matthew	03/07/2024	03/08/2024	New York		Annual meetings with Schrodgers, Varde, ACP and HPS. Due diligence meeting with prospective manager, Castlelake.	-	\$1,350.60	\$1,350.60
Billingslea, Erica	05/30/2024	05/30/2024	Indianapolis, IN		Annual due diligence meeting with the JP Morgan HY.	-	\$685.95	\$685.95
Billingslea, Erica	06/11/2024	06/13/2024	Chicago, IL		Attended the with.Intelligence Women's Private Credit Summit.	-	\$1,749.71	\$1,749.71
Bliss, Kevin	04/15/2024	04/18/2024	New York and Toronto, Canada		New York - Met with Pretium, Blue Owl, Octagon Credit, Vista Credit Partners, and Apollo Credit. Toronto - Met with potential manager, NorthLeaf, and attended the Dawson (fka Whitehorse Liquidity Partners) Annual Meeting and LPAC Meeting.	-	\$3,006.17	\$3,006.17
Carlson, Ryan	04/29/2024	05/02/2024	Miami, FK		Travel to Miami, FL to attend the Factset Focus 2024 Conference.	-	\$2,642.75	\$2,642.75
Chang, Warren	05/06/2024	05/08/2024	Miami, FL	Stonepeak	Travel to Miami, FL to attend the 2024 Stonepeak Mid-Year Update and LPAC meetings. This is sponsored travel.	\$1,446.91	\$38.00	\$1,484.91
Chang, Warren	05/12/2024	05/16/2024	Porto, Portugal	Antin	Travel to Porto, Portugal to attend Antin Investor Day 2024 and LPAC. This is sponsored travel.	\$13,629.84	\$112.15	\$13,741.99
Chang, Warren	06/04/2024	06/05/2024	New York, NY	GIP Infrastructure	Travel to New York City to attend GIP Infrastructure's Annual Investor Meeting and LPAC. This is sponsored travel.	\$1,484.16	\$31.33	\$1,515.49

**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Chang, Warren	06/05/2024	06/07/2024	Washington, DC		Travel to Washington, DC to attend the VIP Infrastructure Conference (Visions, Insights and Perspectives)	-	\$568.69	\$568.69
Chang, Warren	06/12/2024	06/13/2024	New York, NY		Pantheon Annual Meeting in New York, NY	-	\$1,333.25	\$1,333.25
Coleman, Thomas	04/17/2024	04/18/2024	Dallas, TX	Scout Energy	Travel to Dallas, TX to attend Scout Energy Partners's LPAC meeting. Sponsored travel.	\$824.29	\$26.74	\$851.03
Coleman, Thomas	05/21/2024	05/22/2024	Dallas, TX	Petrocap	Travel to Dallas, TX to attend the Petrocap Annual Investor's Meeting and LPAC. This is sponsored travel.	\$1,220.19	\$21.74	\$1,241.93
Coleman, Thomas	06/12/2024	06/13/2024	Reston, VA		Property Tours with Affinius Capital	-	\$586.30	\$586.30
Corsello, Perry	04/08/2024	04/11/2024	Los Angeles, CA	Oaktree	Attended the Oaktree Capital Advisory Board Meetings for Funds X, Xb, XI and XII.  **Sponsor Travel	\$2,893.93	\$19.35	\$2,913.28
Corsello, Perry	05/13/2024	05/16/2024	Scottsdale, AZ	Ares	Ares Advisory Investment Committee meetings for ACE V, ASOF I, ASOF II, Pathfinder I and Pathfinder II, PCS I and PCS II.  **Sponsored Travel	\$2,796.73	\$9.78	\$2,806.51
Corsello, Perry	05/21/2024	05/23/2024	San Francisco, CA	SSP	Attended the Sixth Street Partners LPAC meetings for TAO, Ops III, Ops IV, and Ops V.  **Sponsored Travel	\$2,085.33	\$9.78	\$2,095.11

**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Gentry III, William	04/29/2024	05/03/2024	Chicago, IL (GTCR) and Monteray, CA (Leonard Green)		Travel to Chicago IL to attend GTCR's Annual meeting; then to Pebble Beach, CA for Leonard Green's Annual Meeting and LPAC.	-	\$3,035.04	\$3,035.04
Gentry III, William	05/21/2024	05/23/2024	Boston, MA	Bain Capital	Travel to Boston, MA to attend Bain Capital's Annual Investor Meeting and LPAC. This is sponsored travel.	\$1,872.59	\$10.00	\$1,882.59
Gentry III, William	06/11/2024	06/11/2024	Boston, MA		Travel to Boston, MA for due diligence meetings with Bain Capital.	-	\$523.14	\$523.14
Hines, Gregory	03/04/2024	03/08/2024	New York, NY		9th Annual Volatility Research Forum and 2024 BAAM Investor Conference for Greg Hines in New York, NY March 4th-8th, 2024.	-	\$2,297.01	\$2,297.01
Hines, Gregory	04/04/2024	04/04/2024	New York, NY		MS Roundtable Event  Strategy & Market Insights Day for Greg Hines, April 4, 2024 in New York, NY- Day trip	-	\$1,068.88	\$1,068.88
Hines, Gregory	04/13/2024	04/24/2024	Switzerland/London		Conferences for Greg Hines April 13-24, 2024  London Volatility Summit on 4/18 <a href="https://www.volatilityinvesting.co.uk/">https://www.volatilityinvesting.co.uk/</a>	-	\$11,754.45	\$11,754.45
Hines, Gregory	06/12/2024	06/13/2024	New York, NY		SG QUANT CONFERENCE 2024 - NYC, June 13, 2024 for Greg Hines.	-	\$1,447.74	\$1,447.74
Honrado, Cordell	05/07/2024	05/08/2024	Chicago, Illinois		2024 Investment Data & Analytics Symposium for Dane Honrado May 7-8, 2024 in Chicago.	-	\$1,249.93	\$1,249.93
Honrado, Cordell	05/20/2024	05/22/2024	New York, NY		BNY Asset Owner Learning Academy for Dane Honrado 5-20-2024 to 5-22-2024. La Guardia NY.	-	\$1,685.00	\$1,685.00

**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Honrado, Cordell	06/13/2024	06/13/2024	New York, NY		Blackrock CTO Forum on Jun 13 in NYC for Dane Honrado (Day Trip)	-	\$818.47	\$818.47
Jones, De'Von	03/19/2024	03/23/2024	London, England	Nordic Capital	Travel to London, England to attend Nordic Capital's Annual Investor Meeting and LPAC. This is sponsored travel.	\$10,569.71	\$44.74	\$10,614.45
Jones, De'Von	04/03/2024	04/04/2024	Houston, TX		Travel to Houston, TX for on-sight due diligence meetings with Encap.	-	\$1,334.87	\$1,334.87
Jones, De'Von	04/16/2024	04/19/2024	New York, NY	GA and Vista; GA and Vista splitting; General Atlantic; Vista	Travel to New York, NY to attend the General Atlantic and Vista AGM and LPAC meetings. Both are sponsored travel.	\$2,510.00	\$34.74	\$2,544.74
Jones, De'Von	04/30/2024	05/03/2024	San Francisco and Monterey, CA	Leonard Green	Due diligence meeting with Accel-KKR in San Francisco; LPAC meeting with Leonard Green in Monterey, CA. This portion is sponsored travel.	\$1,272.42	\$693.42	\$1,965.84
Jones, De'Von	05/13/2024	05/17/2024	New York, NY and Los Angeles, CA	Apollo; Apollo (\$505.00) and Clearlake (1202.21); Apollo and Clearlake; Clearlake	Travel to New York, NY to attend Apollo AGM and LPAC meetings (5/13 - 5/15); then to Los Angeles, CA to attend Clearlake's Annual Meeting and LPAC. Both are sponsored travel.	\$5,135.01	\$56.61	\$5,191.62
Jones, De'Von	05/22/2024	05/23/2024	New York, NY	Stone Point	Travel to New York, NY to attend Stone Point's 2024 Investor Meeting and LPAC. This is sponsored travel.	\$1,768.66	\$29.58	\$1,798.24
Jones, De'Von	06/04/2024	06/06/2024	Chicago, IL		Travel to Chicago, IL to attend the ILPA 2024 Member Conference.	-	\$2,266.25	\$2,266.25
Jones, De'Von	06/10/2024	06/11/2024	Dallas, TX	NGP	Travel to Dallas, TX to attend the 2024 NGP Investor meeting and LPAC. This is sponsored travel.	\$1,831.20	\$14.74	\$1,845.94

**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Kennebeck, Joseph	03/17/2024	03/21/2024	Scottsdale, AZ,		Travel to Scottsdale, AZ to attend the Trader Forum Annual Conference.	-	\$4,129.72	\$4,129.72
Koutrakos, Kristina	04/15/2024	04/17/2024	New York, NY.		Manager Meetings for Kristina Koutrakos. April 15th and 16th, 2024 in New York, NY.	-	\$948.15	\$948.15
Koutrakos, Kristina	04/18/2024	04/18/2024	Washington, DC.		Eurasia Group spring IMF meeting breakout sessions for Kristina Koutrakos April 18, 2024.	-	\$317.11	\$317.11
Koutrakos, Kristina	05/04/2024	05/08/2024	Beverly Hills, CA.		Milken Conference May 4-8th, 2024 in Beverly Hills, CA. for Kristina Koutrakos.	-	\$2,122.25	\$2,122.25
Koutrakos, Kristina	05/31/2024	06/05/2024	Amsterdam		ICPM Discussion Forum / Board Meeting - May 31st-June 5th, 2024 for Kristina Koutrakos.	-	\$6,980.26	\$6,980.26
Le, Vu	04/02/2024	04/05/2024	Las Vegas, NV		Travel to Las Vegas, NV to attend the CQA Spring Conference.	-	\$3,060.85	\$3,060.85
Le, Vu	05/21/2024	05/23/2024	New York, NY		Travel to New York, NY to attend Barclay's 25th Annual QPS Americas Advisory Council; and the UBS US Quant, Evidence Lab and HOLT Conference.	-	\$1,738.33	\$1,738.33
Ma, Chung	04/17/2024	04/18/2024	Washington, DC.		Manager Meeting in Washington, DC with Orchard Global for Chung Ma. April 17-18th, 2024. Traveler will be traveling by train.	-	\$860.04	\$860.04
Ma, Chung	05/04/2024	05/08/2024	Los Angeles, CA.		2024 Milken Institute Global Conference in Los Angeles, CA. May 4th-8th and Finadium Investors in Securities Lending Conference in New York, NY. May 8-10th.	-	\$4,151.17	\$4,151.17

**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Matoua, Katherine	03/06/2024	03/07/2024	Philadelphia, PA.		Philadelphia Institutional Roundtable @ Del Frisco's March 6-7, 2024 for Katherine Matoua. Philadelphia, PA.	-	\$557.89	\$557.89
Matoua, Katherine	04/15/2024	04/16/2024	New York, NY		Manager Meetings for Katherine Matoua. April 15th and 16th, 2024 in New York, NY.	-	\$1,060.64	\$1,060.64
Molla, Kidus	04/15/2024	04/19/2024	Washington, DC		JP Morgan Investor Conference	-	\$3,608.66	\$3,608.66
Mulvin, Thomas	04/22/2024	04/23/2024	Wayne, PA		Travel to Wayne PA for due diigence/site visits with Carson JV	-	\$776.74	\$776.74
Mulvin, Thomas	05/20/2024	05/22/2024	Boca Raton, FL	Blackstone	Travel to Boca Raton to attend Blackstone's Annual Meeting and LPAC. This is sponsored travel.	\$1,896.80	\$44.74	\$1,941.54
Mulvin, Thomas	05/28/2024	05/29/2024	Newark, NJ		Site visit/meetings with Prudential SA.	-	\$762.96	\$762.96
Muniz, Alex	04/02/2024	04/04/2024	Las Vegas, NV		Travel to Las Vegas, NV to attend the CQA Spring Conference	-	\$2,332.71	\$2,332.71
Muniz, Alex	05/05/2024	05/08/2024	West Palm Beach, FL		Q Group Spring Seminar 2024	-	\$2,287.97	\$2,287.97
Noland, Walker	04/22/2024	04/23/2025	Wayne, PA		Travel to Wayne, PA for due diligence/site visit with Carson.	-	\$747.87	\$747.87
Noland, Walker	04/29/2024	04/30/2024	Denver, CO		Travel to Denver, CO for due diligence/site visit with Capri EGM.	-	\$1,466.13	\$1,466.13



**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Noland, Walker	05/09/2024	05/09/2024	New York, NY		GCM Grosvenor's RE:CONNECT Conference	-	\$797.34	\$797.34
Noland, Walker	05/13/2024	05/15/2024	New York, NY	PGIM Real Estate	Travel to New York, NY to attend the PGIM Global Client Conference and PRISA II Advisory Council. This is sponsored travel.	\$1,960.82	\$32.36	\$1,993.18
Noland, Walker	05/28/2024	05/29/2024	Newark, NJ		Site visit/meetings with Prudential SA.	-	\$985.29	\$985.29
Oliff Jr, Bryan	05/05/2024	05/08/2024	Los Angeles, CA		2024 Milken Institute Global Conference	-	\$3,159.52	\$3,159.52
Oliff Jr, Bryan	05/21/2024	05/22/2024	Chicago, IL		Redefining Fixed Income Forum - Chicago, IL	-	\$1,529.39	\$1,529.39
Pugliese, Laura	06/03/2024	06/06/2024	Washington, DC		Attended the DCIIA/Spark Public Policy Forum. Member of the DCIIA PSI Committee, VRS is a plan sponsor.	-	\$1,755.33	\$1,755.33
Rhodes, Garret	01/04/2024	01/07/2024	San Antonio, TX		Travel to San Antonio, TX to attend the ASSA (Allied Social Science Associations) Annual Meeting.	-	\$2,247.20	\$2,247.20
Sarki-Hurd, Hajara	04/08/2024	04/10/2024	Charleston, SC	IREI	Roundtables, VIP Americas, & IREI Editorial Board Meetings. IREI will cover the hotel accommodations and up to \$500 travel expenses.	\$1,349.19	\$200.16	\$1,549.35
Sarki-Hurd, Hajara	04/15/2024	04/19/2024	Phoenix, AZ and Dallas, TX	Crow Holdings; Harrison St and Crow Holdings - split; Harrison Street	Harrison Street - Phoenix, Az (4/15 - 4/17) and Crow Holdings - Dallas TX (4/17 - 4/19). Both meetings are sponsored travel and airfare and airport parking were split between both on the invoices.	\$3,077.44	\$58.64	\$3,136.08

**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Sarki-Hurd, Hajara	05/08/2024	05/08/2024	New York, NY		Travel to New York, NY for due diligence meetings with GCM Grosvenor.	-	\$688.15	\$688.15
Schlussler, Daniel	03/24/2024	03/27/2024	San Diego, CA		Travel to san Diego, CA to attend the Spring JOIM Conference.	-	\$2,615.21	\$2,615.21
Schlussler, Daniel	05/05/2024	05/08/2024	Palm Beach, FL		Travel to Palm Beach, FL to attend the Q Group Spring Seminar.	-	\$2,090.08	\$2,090.08
Schlussler, Daniel	05/28/2024	05/28/2024	Richmond, VA		CFA Society and Institute Dues Year Ending 063025	-	\$379.00	\$379.00
Scott, Michael	05/30/2024	05/30/2024	Indianapolis, IN		Annual due diligence meeting with the JP Morgan DC team.	-	\$683.00	\$683.00
Tentor, Lawrence	05/21/2024	05/23/2024	New York, NY		Travel to New York, NY to attend the USB/ Holt Conference.	-	\$1,814.76	\$1,814.76
Tran, Viet	05/13/2024	05/16/2024	Boston, MA	Harbourvest	Travel to Boston, MA to attend Harbourvest's 2024 Annual Meeting. Harbourvest pays for hotel accommodations for all attendees. Also met with Matrix while in Boston.	\$1,269.00	\$606.24	\$1,875.24
Tran, Viet	05/21/2024	05/23/2024	Boston, MA		Travel to Boston to attend Bain Capital's Annual Investor Meeting.	-	\$1,570.46	\$1,570.46
Tran, Viet	05/25/2024	05/28/2024	Miami, FL	ICV	Travel to Miami, FL to attend ICV's 2024 Annual Meeting and LPAC. This is sponsored travel.	\$921.29	-	\$921.29
Tran, Viet	06/04/2024	06/06/2024	Chicago, IL		Travel to Chicago to attend the 2024 ILPA Conference.	-	\$2,183.89	\$2,183.89

**Detail of Travel Related Expenses**

**Virginia Retirement System**

**Board/Committee Members and Selected VRS Staff**

**Paid in Q4 2024**

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Tran, Viet	06/11/2024	06/11/2024	Boston, MA		Travel to Boston, MA for on-site meetings with Bain Capital.	-	\$601.20	\$601.20
Turner, Korey	04/09/2024	04/11/2024	Newark, NJ		Attended the PGIM Ascent Asset Owner Workshop.	-	\$918.85	\$918.85
Voeks III, Robert	05/01/2024	05/02/2024	Greenwich, CT	Littlejohn	Travel to Greenwich, CT to attend Littlejohn's AGM and LPAC meetings. This is sponsored travel.	\$1,050.17	\$14.74	\$1,064.91
<b>Total</b>						<b>\$73,568.33</b>	<b>\$138,836.54</b>	<b>\$212,404.87</b>

VRS BOARD OF TRUSTEES AND COMMITTEES  
 RECORD OF ATTENDANCE & PER DIEMS  
 FOR 2Q2024

Month Paid:

Member	Area	Apr-24		May-24	Jun-24						Total Days Attended	Per Diem Rate	Per Diem Payments			Total
		4/10/2024	4/18/2024	NA	5/23/2024	6/11/2024	6/11/2024	6/12/2024	6/20/2024	6/20/2024			Apr	May	Jun	
A. SCOTT ANDREWS, CHAIR	BOT	X	X	-	-	X	X	-	X	X	4	\$ 300.00	\$ 600.00	\$ -	\$ 600.00	\$ 1,200.00
J BRANDON BELL, II	BOT	-	-	-	-	-	X	X	X	X	3	300.00	-	-	900.00	900.00
JOHN M. BENNETT	BOT	X	X	-	X	X	X	X	X	X	6	300.00	600.00	-	1,200.00	1,800.00
LAWRENCE BERNERT	BOT	X	-	-	-	X	-	-	X	X	3	300.00	300.00	-	600.00	900.00
MICHAEL P. DISHAROON	BOT	X	X	-	-	X	-	-	X	X	4	300.00	600.00	-	600.00	1,200.00
SUSAN GOODEN	BOT	-	X	-	X	-	-	-	X	X	3	300.00	300.00	-	600.00	900.00
JESSICA L. HOOD	BOT	-	X	-	-	-	-	X	X	X	3	300.00	300.00	-	600.00	900.00
MATTHEW JAMES	BOT	X	X	-	X	-	-	-	-	-	3	300.00	600.00	-	300.00	900.00
LINDSEY PANTELE	BOT	-	X	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
RIVINDRA DEO	DCPAC	-	-	-	X	-	-	-	-	-	1	300.00	-	-	300.00	300.00
C. MATT HARRIS	DCPAC	-	-	-	X	-	-	-	-	-	1	300.00	-	-	300.00	300.00
RICK LARSON	DCPAC	-	-	-	X	-	-	-	-	-	1	300.00	-	-	300.00	300.00
BRENDA O. MADDEN	DCPAC	-	-	-	X	-	-	-	-	-	1	300.00	-	-	300.00	300.00
ARUN MURALIDHAR	DCPAC	-	-	-	X	-	-	-	-	-	1	300.00	-	-	300.00	300.00
DAVID A. WINTER	DCPAC	-	-	-	X	-	-	-	-	-	1	300.00	-	-	300.00	300.00
MICHAEL R. BEASLEY	IAC	X	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
THEODORE ECONOMOU	IAC	X	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
PALMER GARSON	IAC	X	-	-	-	-	-	-	-	-	1	-	-	-	-	-
THOMAS S.GAYNER	IAC	X	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
LAWRENCE E KOCHARD	IAC	X	X	-	-	-	-	-	-	-	2	300.00	600.00	-	-	600.00
NANCY G. LEAKE	IAC	X	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
WILBERT BRYAN LEWIS	IAC	X	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
ROD SMYTH	IAC	X	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
WILLIAM H. WEST	IAC	X	-	-	-	-	-	-	-	-	1	300.00	300.00	-	-	300.00
												\$ 6,300.00	\$ -	\$ 7,200.00	\$ 13,500.00	

Number Attending	14	8	0	9	4	3	3	6	7	54						
Total Days per Diem Paid (Control Total)	13	8	0	9	4	1	3	6	1	45	x \$300	=				13,500.00

---

## Audit and Compliance Committee 2025 Meeting Dates

<u>Day</u>	<u>Date</u>	<u>Time</u>
Tuesday	April 15, 2025	3:00 p.m.
Tuesday	June 17, 2025	1:00 p.m.
Wednesday	September 17, 2025	10:00 a.m.
Thursday	December 11, 2025	10:30 a.m.

---

## Board of Trustees 2025 Meetings Dates

<u>Day</u>	<u>Date</u>	<u>Time</u>
Thursday	February 6, 2025	1:00 p.m.
Tuesday	March 18, 2025	Board Retreat – to be determined
Wednesday	March 19, 2025	Board Retreat – to be determined
Wednesday	April 16, 2025	1:00 p.m.
Wednesday	June 18, 2025	1:00 p.m.
Thursday	July 10, 2025	1:00 p.m. (to be held if necessary)
Thursday	September 18, 2025	1:00 p.m.
Thursday	October 16, 2025	1:00 p.m.
Thursday	November 13, 2025	1:00 p.m.
Thursday	December 11, 2025	1:00 p.m.

# Chief Audit Executive Qualifications and Competencies



# **New Standards: Chief Audit Executive Qualifications and Competencies**

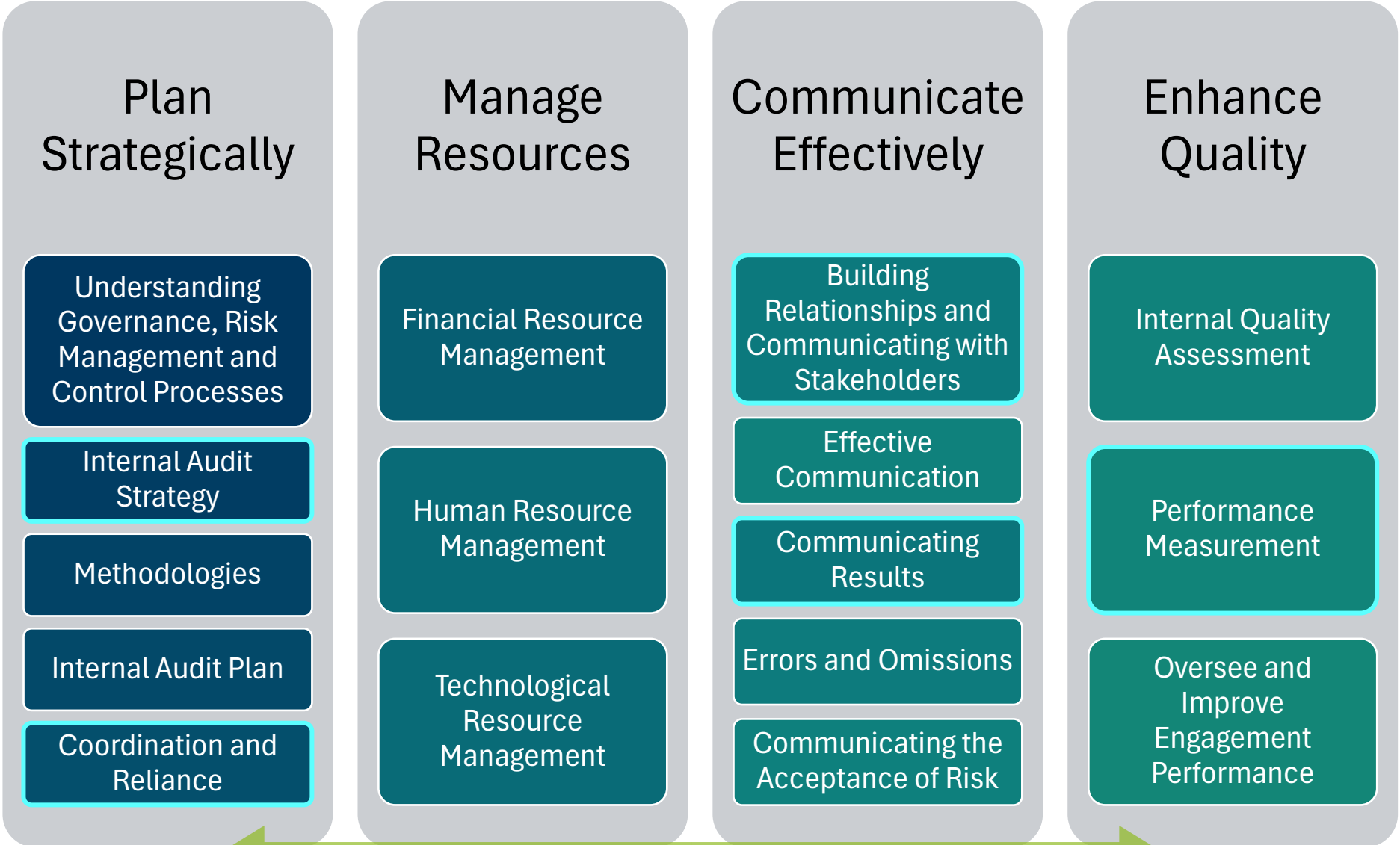
# Standard 7.2

The chief audit executive must help the board understand the qualifications and competencies of a chief audit executive that are necessary to manage the internal audit function.

[Link](#) to the  
Global Internal Audit Standards



# Domain IV: Managing the Internal Audit Function



# Qualifications

- Proven experience as an Audit Executive or similar role
- Excellent knowledge of relevant auditing standards and procedures, laws, rules and regulations
- Strong knowledge of audit procedures including planning and fieldwork techniques in conducting audits
- Working knowledge of information technology and security, finance and investments and audit techniques used to provide assurance in these areas
- Proven experience leading a team of skilled auditors and mentoring their professional growth
- High attention to detail and excellent analytical skills
- Sound independent judgement and high ethical standards
- Bachelor's degree in Accounting or closely related field; master's degree and professional certification (e.g. CPA, CMA, CIA) are preferable

# Competencies

Strategy and Forecasting

Anticipative Monitoring

Change Agent

Business Counseling

Information Processing

Big Picture Thinking

Interpersonal Skills

Adaptability

Collaboration  
and Team Building

Negotiation Skills

Objectivity

Presenting and  
Communicating

Impartiality

Cultural and  
Organizational Awareness

# Next Steps

## Updates Relative to the Standards



# Committee Activities – Upcoming

December 2024	April 2025	June 2025	September 2025	December 2025	March/April 2026
<p>Exit with the APA: Annual Comprehensive Financial Report</p> <p>Entrance with the APA: Employer Assurances</p> <p>Receive Results of the Quality Assurance Review</p> <p><b>Receive Internal Audit Reports</b></p> <p>Update on the Global Internal Audit Standards</p> <p>Review Updates to the Audit Director Position Description</p> <p>Receive Miscellaneous Reports</p>	<p><b>Receive Internal Audit Reports</b></p> <p>Receive Internal Audit Assurance Reviews</p> <p>Receive FY2025 Annual Audit Plan Progress Report</p> <p>Receive the Internal Audit Strategic Plan</p> <p><b>Consider the Internal Audit Performance Measures</b></p> <p>Receive Miscellaneous Reports</p>	<p>Update from the APA: Employer Assurances</p> <p>Entrance with the APA: Annual Comprehensive Financial Report</p> <p><b>Receive Internal Audit Reports</b></p> <p>Receive Miscellaneous Reports</p>	<p>Exit with the APA: Employer Assurances</p> <p>Update from the APA: Annual Comprehensive Financial Report</p> <p><b>Receive Internal Audit Reports</b></p> <p>Receive Internal Audit Assurance Reviews</p> <p>Receive Internal Audit Annual Reports for FY2025 including Long-Range Plan and Annual Plan Progress Reports</p> <p><b>Consider Proposed FY2026 Annual Plan</b></p> <p>Receive Miscellaneous Reports</p> <p><b>Consider Audit Director's Performance</b></p>	<p>Exit with the APA: Annual Comprehensive Financial Report</p> <p>Entrance with the APA: Employer Assurances</p> <p><b>Receive Internal Audit Reports</b></p> <p>Receive Results of the Quality Assurance Improvement Program Review</p> <p>Receive Miscellaneous Reports</p>	<p><b>Receive Internal Audit Reports</b></p> <p>Receive Internal Audit Assurance Review</p> <p><b>Confirm the Audit Mandate</b></p> <p><b>Consider the Updates to the Committee and/or Internal Audit Charters</b></p> <p>Receive FY2026 Annual Plan Progress Report</p> <p>Receive Miscellaneous Reports</p>

**Legend:** Informative (Receive)    **Action (Accept, Confirm, Consider, Recommend)**

# Committee Activities – Cycle

March/April

**Receive Internal Audit Reports**

- Receive Internal Audit Assurance Reviews
- Receive Management’s Reporting on the Code of Ethics
- Receive Annual Audit Plan Progress Report as of December 30th
- Receive Miscellaneous Reports

\*Beginning March 2025:  
**Confirm the Audit Mandate**

\*Beginning March 2026:  
**Consider the Updates to the Committee and/or Internal Audit Charters**

June

Update from the APA: Employer Assurances

Entrance with the APA: Annual Comprehensive Financial Report

**Receive Internal Audit Reports**

- Receive Miscellaneous Reports
- \*Every Three Years:  
Consider Proposed Long-Range Plan

\*Beginning June 2025:  
**Consider the Internal Audit Performance Measures (Annually)**

\*Beginning June 2027:  
Receive Triennial Internal Audit Strategic Plan (Aligned with Long-Range Plan)

September

Exit with the APA: Employer Assurances

Update from the APA: Annual Comprehensive Financial Report

**Receive Internal Audit Reports**

- Receive Internal Audit Assurance Reviews
- Receive Internal Audit Annual Progress Reports for FY including Long-Range and Annual Plans

**Consider Proposed Annual Plan**

Receive Miscellaneous Reports

**Consider Audit Director’s Performance**

December

Exit with the APA: Annual Comprehensive Financial Report

Entrance with the APA: Employer Assurances

**Receive Internal Audit Reports**

- Receive Results of the Quality Assurance Improvement Program Review\*
- Receive Miscellaneous Reports

\*Every Five Years:  
Receive the Results of the Quality Assurance Review (December 2029)

**Legend:** Informative (Receive) **Action (Accept, Confirm, Consider, Recommend)**

Closed Session:  
Review of Audit Director's  
Performance

## CLOSED SESSION LANGUAGE

---

### Closed Session under the Freedom of Information Act

The Freedom of Information Act (FOIA) prescribes the behavior of public bodies operating under the authority of the *Code of Virginia*, with the goal of providing transparency for Virginia's stakeholders.

In certain limited situations, as authorized under FOIA, a public body may enter closed session.

For the September meeting the committee will need to go into closed session to discuss the Audit Director's Performance (exempt under § 2.2-3711(A)(1)).

### Actions by the Committee in Closed Session

Any recommendations and actions agreed to by the Committee during the closed session must be voted upon and approved in open session to be communicated to the Board.

### To Convene Closed Meeting

"I move 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 the performance of specific employees pursuant to the personnel exemption at *Code of Virginia* § 2.2-3711(A)(1)."

[Second needed]

[Roll call vote needed]

### Certification after Closed Meeting

"I move 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, *Code of Virginia* § 2.2-3712 requires a certification by the Committee that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, that the Audit and Compliance 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."

[Second needed]

[Roll call vote needed]



**Audit Director's Performance Review.**

---

**Requested Action**

The VRS Board of Trustees approves a \_\_\_\_% performance bonus for the Audit Director.

**Description/Background**

The Audit and Compliance Committee reviewed and evaluated the performance of the Audit Director. Based on this review and evaluation, the Committee recommends that the Board approve a \_\_\_\_% performance bonus for the Audit Director payable \_\_\_\_\_, 2024.

**Rationale for Requested Action**

The Audit and Compliance Committee recommends that the Board approve a \_\_\_\_% performance bonus for the Audit Director, payable \_\_\_\_\_, 2024, based on the Committee's review and evaluation of the Audit Director's performance during FY 2024. The Audit and Compliance Committee Charter in paragraph 14 of the duties and responsibilities section states "Review and make recommendations to the Board regarding the performance of the Audit Director." Section IV. H.(8) of the Board Governance Policy provides that the Board may review, monitor and oversee the performance of the Audit Director. Also, the Executive Pay Plan contemplates granting a performance bonus to the Audit Director.

**Authority for Requested Action**

*Code of Virginia* § 51.1-124.22(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

---

A. Scott Andrews, Chair  
VRS Board of Trustees

---

Date