

MINUTES OF THE AUDIT & COMPLIANCE COMMITTEE MEETING
January 12, 2021

Members Present:

Barbara J.C. Baird, SERS Trustee
Marvin Becker, Comptroller Designee

Members Absent:

Shaun Dawson, Committee Chairperson

Others in attendance:

Tim Blair, Executive Secretary
Jeff Houch, Assistant to the Executive Secretary
Casey Evans, Chief Internal Auditor (CIA)
Andrew Van Leer, Internal Auditor

The SERS Audit and Compliance Committee met on Tuesday, January 12, 2021, at 9:00 a.m. in the System's Springfield office and by videoconference as allowed under Section 7(e) of the Open Meetings Act (5 ILCS 120/7(e)) and Executive Order 2020-07, as amended and reissued by Executive Orders 2020-33, 2020-44, and 2021-01. The meeting was called to order at 9:00 a.m. with a quorum being established to conduct business.

Seeing that there were no members of the public present for comment, the Committee moved on to the review and approval of the October 27, 2020 Committee meeting minutes. With there being no significant discussion or revisions to the meeting minutes, Trustee Baird moved to approve the minutes as presented and Mr. Becker seconded the motion. The meeting minutes were approved.

A general background of the SRS Internal Audit Department and Audit Committee was provided. CIA Evans explained that the internal auditors are responsible for completing both required and risk-based audits from a developed two-year audit plan. The internal audit charter also details the responsibilities of the internal audit function and notes the roles of management and the Committee in the audit process. CIA Evans concluded by adding that both the charter and audit plan is presented annually at the July Committee Meeting for approval.

The Committee began discussing the status of the fiscal year 2021 internal audit covering IT Security. CIA Evans directed the Committee to the progress report on this audit that was provided in advance of the meeting. It was explained that work on this project was originally scheduled to begin in the Spring of 2020 but was rescheduled due to the need for IT to focus on remote working capabilities because of the COVID-19 pandemic. In this audit, the internal auditors were granted certain permissions to perform various security

tests including social engineering and attempts to gain unauthorized access to certain systems. CIA Evans and Mr. Van Leer presented examples of the security tests performed and noted what strengths and weaknesses were found. A listing of initial audit recommendations developed thus far was presented to the Committee and discussed. CIA Evans concluded by summarizing the remaining testing steps in this audit and noted that additional information would be presented during the April 2021 meeting.

Mr. Becker inquired as to whether the retirement systems were under the realm of the Department of Innovation and Technology (DoIT) Security Operations Center. Executive Secretary Blair explained that the retirement systems are not under DoIT but do have a relationship in utilizing common State applications. In addition, DoIT does perform vulnerability scans and assessments which have been very beneficial to the retirement system.

A brief update on the status of the external financial and compliance audits was provided. The retirement systems anticipate a clean audit opinion on the fiscal year 2020 financial statements and do not expect any audit findings based on discussion with the external auditors. Currently, the external auditors are working to finalize their work on the fiscal year 2020 compliance examination. The Committee was informed that the retirement systems are aware of certain compliance issues and will provide a more comprehensive update during the April 2021 meeting. CIA Evans explained that the annual compliance examination is typically released in mid to late April each year.

The Committee inquired as to whether there was any old or new business for discussion. Seeing there was no old or new business being brought to the Committee, Trustee Baird moved to adjourn the meeting with the motion being seconded by Mr. Becker. The meeting was adjourned at 9:55 a.m. ahead of the Board of Trustees quarterly meeting. The next meeting of the Audit and Compliance Committee is scheduled for Tuesday, April 27, 2021 at 9:00 a.m. being held by Zoom videoconference.