

MINUTES OF THE AUDIT & COMPLIANCE COMMITTEE MEETING
October 26, 2021

Members Present:

Barbara J.C. Baird, SERS Trustee (via video conference)
Marvin Becker, Comptroller Designee (via video conference)

Others in attendance:

Tim Blair, Executive Secretary
Casey Evans, Chief Internal Auditor (CIA)

A meeting of the Audit and Compliance Committee of the State Employees' Retirement System of Illinois has held on Tuesday, October 26, 2021, at 9:00 a.m. in the System's Springfield office located at 2101 South Veterans Parkway. To protect the health of staff, trustees, and members of the public during the COVID-19 pandemic, this meeting was held electronically from the SERS administrative office in Springfield, as allowed under Section 7 of the Open Meetings Act (5 ILCS 120/7).

The meeting was called to order at 9:00 a.m. with a quorum being established to conduct business. Seeing that no members of the public were present, CIA Evans referred the Committee to the April 27, 2021, and July 27, 2021 meeting minutes previously provided. Trustee Baird made a motion to approve the meeting minutes which was seconded by Mr. Becker. The minutes were approved.

The Committee began review and discussion of the fiscal year 2022 Internal Audit Charter previously provided and discussed. Mr. Becker made a motion to approve the fiscal year 2022 Internal Audit Charter that was seconded by Trustee Baird. The charter was approved.

The Two-Year Internal Audit Plan was previously provided to the Committee. The Committee briefly reviewed the FY22 audit plan, and a motion was made by Trustee Baird to approve the plan, seconded by Mr. Becker. The two-year plan was approved.

CIA Evans informed the Committee that staff internal auditor, Andrew Van Leer had accepted a promotional opportunity at the Department of Human Services creating a staff vacancy. The Committee discussed staffing concerns in conjunction with other work being performed by the Chief Internal Auditor. The retirement system will be holding interviews in November for this position vacancy. Executive Secretary Blair mentioned the possibility of adding two staff auditors in Internal Audit. In addition, creating an Internal Auditor II position title has been considered and discussed internally. It was noted that currently the Chief Internal Auditor is spending more time on the retirement systems' census data reconciliation and assisting external auditors during fiscal years 2021 and 2022.

A status update was provided to the Committee of the IT audit recommendations. The Committee briefly discussed recommendations that have been closed and those that remain open and will take additional time to implement. Additional status updates will be provided to the Committee in future meetings as recommendations are implemented. CIA Evans directed the Committee to the End of Fiscal Year Internal Audit Report and explained that the Fiscal Control and Internal Auditing Act requires each Internal Auditor to draft a report on how the internal audit plan was carried out during the preceding fiscal year. The Committee and SERS management received a copy of this report which briefly summarizes each internal audit performed during fiscal year 2021 and the results of such audit. Copies of the internal audit reports or summaries were previously provided.

The Committee began discussing a summary on the SERS Census Data Reconciliation project. CIA Evans explained the purpose of the census data reconciliation project and the process for ensuring that the member demographics and payroll information is accurate. The Committee discussed at length the time commitment required by the CIA in this function and those State agencies or departments to complete a full reconciliation of the membership data. Mr. Becker inquired as to how the reconciliation will impact the current audit plan which CIA Evans noted that audits planned for FY2022 will be performed based on risk. The audit plan is kept flexible and can be revised as needed, but he notes that an audit of disability benefits must be performed due to risk and to follow-up on previous issues noted. Additional time is expected to be spent by the CIA in IT auditing and monitoring in FY22 as well.

Currently, 60% of state agencies or departments have completed the FY21 census data reconciliation and approximately 18.8% of the active membership has been reconciled. It is anticipated that most of the large departments will complete the reconciliation during the Spring of 2022, which would likely include the Department of Human Services, the Department of Corrections, and the Department of Transportation. CIA Evans noted that future updates on the census data reconciliation project will be provided.

There being no further old or new business brought before the Committee, the meeting was adjourned at 9:50 a.m. ahead of the full Board of Trustees meeting.