

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS
MINUTES OF THE AUDIT & COMPLIANCE COMMITTEE MEETING

January 13, 2015

The Audit and Compliance Committee convened on Tuesday, January 13, 2014 at 9:00 a.m. in the System's Springfield office at 2101 S. Veterans Parkway with a videoconference location at the Bilandic Building, Room N-703, 160 N. LaSalle Street, Chicago, IL.

Chairman Morris asked if there were any public comments. Seeing there were no public comments, the Committee moved and approved the minutes of the October 28, 2014 Audit and Compliance Committee meeting.

Casey Evans, Chief Internal Auditor (CIA), discussed the completed internal audit on Rutan compliance and the review of Rutan-Exempt positions. One finding was noted in the internal audit regarding the need to improve controls over the review of Rutan candidate interview and selection files. In the audit, it was noted that certain key hiring documents were inadvertently misfiled in personnel files and were omitted from the Rutan compliance files the agency is required to maintain. Internal audit also noted few clerical errors which did not adversely affect the hiring decision made. Although this is a low risk area, the internal auditor recommended the Human Resources Division develop a quality review process to ensure Rutan files are complete, accurate, and contains all necessary information. The Human Resources manager agreed and proactively developed a checklist that will aid in the review of all hiring documentation.

CIA Evans discussed his review of the predecessor workpapers and reports. In the review, it was noted that the vacancy between the predecessor auditors was 8 months and 10.5 months, respectively. Further, the most recent vacancy of the CIA position resulted in only 1 audit being completed during FY2014 of the 11 audits or reviews scheduled in the internal audit plan. During FY2013, 2 of 12 internal audits were not completed. CIA Evans provided to management a historical internal audit finding document that highlights the findings and recommendations issued by previous internal auditors. Going forward the Chief Internal Auditor will maintain a listing of historical audit findings and recommendations that will be useful in tracking internal audit activity, perceived risks, and implementation of recommendations.

CIA Evans discussed an upcoming succession planning review at the State Retirement Systems. The audit was to focus on the agency's ability to continue to operate efficiently and effectively should it experience retirements or vacancies in key staff and management positions. Casey discussed the importance and significance of succession planning noting that currently 20 of 111 (18%) of staff at the State Retirement Systems is currently eligible for retirement. Of this group, 6 of 10 (60%) key members of management are retirement eligible. In addition, the Chief Internal Auditor noted that 9,424 active members, approximately 15% of all current active members are eligible for retirement.

The Chief Internal Auditor discussed other audit activity during October through December 2014 including providing information on Social Security Number validation controls and considerations for pending external audit issues.

CIA Evans previewed upcoming internal audit activity including the Annual FCIAA Internal Control Certification, an audit of the Annuity Payments to SERS Retirees, and a statutorily required audit of the GAAP and Financial Reporting process due May 31st.

CIA Evans inquired with the Committee on how to best provide information to the Committee to ensure the members are adequately informed of internal audit activities. Following discussion, it was decided that the Committee prefers concise summary information in the form of Executive Summaries. Should any trustee wish to receive the complete audit report or more detailed information, it would be provided by the internal auditor. At the request of the Committee, the Internal Auditor will also provide a written status report detailing completed, pending, and scheduled internal audits. This status report would provide a snapshot of internal audit activity since the last Committee meeting.

The Audit and Compliance Committee adjourned at 10 a.m. to begin the scheduled Board of Trustees meeting.