

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
AND KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES JOINT AUDIT COMMITTEE
MAY 24, 2022, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the May 24, 2022 meeting of the Joint Audit Committee of the Board of Trustees of the County Employees Retirement System and the Kentucky Retirement Systems, the following Committee members were present: William O'Mara, David Adkins, and Lynn Hampton. Staff members present were David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steven Herbert, Vicki Hale, Connie Davis, Madeline Perry, Matthew Daugherty, Kristen Coffey, Carrie Bass, Connie Pettyjohn, Ann Case, Elizabeth Smith, Liza Welch, William Prince, Stephanie Aldridge, Ashley Gabbard, Shaun Case, and Sherry Rankin. Others present included CERS CEO Ed Owens, III, KRS CEO John Chilton, CERS Trustee George Cheatham, Danny White with GRS, and Ryan Graham and Allen Norvell with Blue and Co.

Ms. Hampton, Vice-Chair, called the meeting to order in the absence of the Committee Chair, Ms. Pendergrass.

Mr. Board read the Opening Video Teleconference Statement.

Ms. Rankin called roll.

Being no Public Comment, Ms. Hampton introduced the agenda item *Election of Joint Audit Committee Chair*. Ms. Hampton made a motion and was seconded by Mr. Adkins to nominate Bill O'Mara as the Joint Audit Committee Chair. The motion passed unanimously.

Mr. O'Mara thanked Ms. Hampton and Mr. Adkins and introduced the agenda item *Election of Joint Audit Committee Vice-Chair*. Mr. O'Mara made a motion to nominate Lynn Hampton as the Joint Audit Committee Vice-Chair. The motion was seconded by Mr. Adkins and passed unanimously.

Mr. O'Mara introduced the agenda item *Approval of Minutes – April 7, 2022*. Ms. Hampton made a motion and was seconded by Mr. Adkins for the approval of the minutes from the April 7, 2022 Joint Audit Committee Minutes. The motion passed unanimously.

Mr. O'Mara introduced the agenda item *Draft GASB 68 and GASB 75 Proportionate Share Audits*. Mr. Allen Norvell of Blue & Co. stated that the drafted report is on the employer allocation schedules required under GASB 68 and GASB 75. Mr. Ryan Graham, Audit Director with Blue & Co. provided a presentation of the Draft GASB 68 and GASB 75 Proportionate Share Audits. Mr. O'Mara made a motion and was seconded by Ms. Hampton to approve the Draft GASB 68 and GASB 75 Proportionate Share Audits. The motion passed unanimously. Mr. Norvell thanked the committee for the opportunity to work with KPPA.

Mr. O'Mara introduced Ms. Rebecca Adkins to present the agenda item *Financial Reporting Updates*. Ms. Adkins provided an overview of the quarterly financial statements to the committee including administrative expenses and contribution report.

Mr. O'Mara introduced the agenda item *Joint Audit Committee Administrative Updates*. Ms. Kristen Coffey presented proposed amendments to be made to the Charter for the Joint Audit Committee. Ms. Coffey stated that the Charter for the Joint Audit Committee is reviewed annually. Ms. Coffey made the following suggestions; (1) remove FASB; (2) remove the language which states that meetings are to be held on Thursdays to reflect the updated bylaws; (3) combine items no. 1 and 2 under 'Internal Audit' due to redundancy. Ms. Coffey opened the floor for discussion. The Committee requested that items one and two under 'Internal Audit' include, "...the KPPA Executive Director will meet and confer with the Joint Audit Committee regarding the appointment dismissal, replacement, and compensation of the Internal Audit Director." Due to this requested update, Ms. Lynn Hampton also suggested that the language used in item no. 4 under 'Responsibilities of Other Parties' be amended. The Committee agreed that this potential update would be discussed in the next annual review of the Charter for the Joint Audit Committee. Ms. Coffey noted this request. Mr. Adkins made a motion and was seconded by Ms. Hampton to adopt the discussed amendments to the Charter for the Joint Audit Committee. The motion passed unanimously.

Mr. O'Mara welcomed Ms. Coffey to continue with the discussion of updates to the Charter for the Division of Internal Audit Administration. The proposed updates included the following; (1) the title of KPPA Office of Operations Executive Director to KPPA Deputy Executive Director throughout to reflect the recent title change; (2) generalize the language used in section VII. Internal Audit Staff and Responsibilities to reduce the number of updates needed when staffing changes occur; (3) an increase of continuing education hours required for auditors from 16 to 24 in order to be in line with current industry standards; and (4) generalize the language regarding how projects are tracked with the removal of software names. The committee held a discussion regarding the reporting line of the position of the Division Director of Internal Audit Administration and ultimately requested that the position should report to the KPPA Executive Director instead of the KPPA Deputy Executive Director. Mr. Adkins made a motion and was seconded by Ms. Hampton to adopt the proposed amendments to the Division of Internal Audit Administration. The motion passed unanimously.

Ms. Carrie Bass presented on the informational items *Information Disclosure Incidents* and *Anonymous Tips*. Ms. Coffey reported on the informational items *Internal Audit Budget as of March 31, 2022*, *Fiscal Audit Year 2023 Auditor Independence Statements*, *Risk Assessment Update*, and *Status of Current Internal Audit Projects*, and *Issued Reports and/or Memorandums*. The Committee discussed the language used in the findings of Phase 1 of the Plan Liquidity Audit. Mr. Board stated that the term 'account' was too vague and may need to be updated to specify the type of account. Ms. Hampton suggested that an internal working group be formed to further investigate and present a recommendation to the Joint Audit Committee. Mr. O'Mara stated that items no. 1 and 2 of the Summary of Audit Results with Update will remain open for management to present a plan for explanation. Mr. O'Mara requested that Mr. Eager form the internal working group and present the recommendation or a status update at the next meeting of the Joint Audit Committee. Ms. Coffey continued and presented on Phase 2 of the Plan Liquidity Audit. She stated that there were no reportable findings. Recommendations for improvement were made and implemented. Ms. Coffey stated that another audit entitled *Process for Updating and Individual's Death Status* was also conducted and that there were no reportable findings in the audit. Recommendations for improvement were made and implemented.

Mr. O'Mara introduced the agenda item *Strategic Audit Plan*. Ms. Betty Pendergrass, the presenter of this item, was unable to attend the meeting; therefore, Mr. O'Mara proposed that the item be tabled for discussion at the next meeting of the Joint Audit Committee. Ms. Hampton made a motion and was seconded by Mr. Adkins to table the Strategic Audit Plan until the next meeting. The motion passed unanimously.

Mr. O'Mara introduced the agenda item *Professional Articles*. Ms. Madeline Perry presented useful articles for internal audit such as *Excel Spreadsheets Best Practices* and *How BNY Mellon Streamlined its Process and Reduced Key Testing Controls*.

There being no further business, a motion to adjourn was made by Ms. Hampton and seconded by Mr. Adkins, the meeting adjourned.

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CERTIFICATION

I do certify that I was present at this meeting and I have recorded above the action of the Committee on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in connection with this meeting.


Recording Secretary

I, as Chair of the Joint Audit Committee of the Board of Trustees of the County Employees Retirement System and the Kentucky Retirement Systems, do certify that the Minutes of the meeting held on May 24, 2022 were approved by the Joint Audit Committee on August 25, 2022.


Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on May 24, 2022 for form, content, and legality.


Executive Director
Office of Legal Services