MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
AD HOC EMPLOYER REPORTING REVIEW COMMITTEE
OCTOBER 13, 2025, AT 3:00 P.M. ET (2:00 P.M. CT)
VIA LIVE VIDEO TELECONFERENCE

At the October 13, 2025, County Employees Retirement System (CERS) Ad Hoc Employer Reporting Review Committee Meeting, the following Committee members were present: Steven Webb (Chair), Dr. Patricia Carver, Jim Tony Fulkerson, Tommy McGraw, and George "Lisle" Cheatham. Staff members present were Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, D'Juan Surratt, Kristen Coffey, Phillip Cook, Sherry Rankin, and Sandy Hardin. Others present included CERS CEO Ed Owens III, William O'Mara, and Eric Branco of Johnson Bowman Branco LLP.

1. Mr. Webb called the meeting to order.

2. Mr. Branco read the Opening Statement.

3. Ms. Rankin called the roll.

4. Ms. Rankin noted that one ***Public Comment*** was submitted *(Video 00:07:46 to 00:08:31).*

   Tonya Smith:
   "Online training documents are outdated. In-person training for new HR personnel should be done bi-annually. Chat option for customer service. A more searchable resource or quick how-tos for individual subjects. Provide a template for the file submission – make this a process more simple and take out roadblocks."

   Mr. Webb expressed appreciation to Ms. Smith for her comment and affirmed that it would be communicated to the full CERS Board of Trustees for their consideration.

5. Mr. Webb introduced agenda item ***Employer Reporting, Compliance and Education (ERCE)*** *(Video 00:08:31 to 01:20:15).* To support the committee's discussion on

employer reporting and compliance, a video presentation from a previous meeting highlighted KPPA's audit authority, ERCE's evolving role, and the need for strategic resource allocation. Ms. Adkins outlined plans for an annual attestation process, expanded coaching, and centralized audit oversight, noting that many issues are identified through ERCE investigations rather than APA referrals. The committee discussed audit findings, staffing challenges, and the importance of clear communication. Mr. Owens requested a review of legal cases tied to ERCE referrals, and a philosophical debate emerged over whether internal audit or ERCE should lead employer audits—both sides agreed collaboration is essential moving forward.

Ms. Rankin noted that the presentation had ended.

Following the presentation, Mr. Webb acknowledged that Mr. Owens had requested audit documentation on his behalf. He noted that the requested materials had not yet been received. Mr. Webb expressed appreciation for the strong relationships ERCE has built with participating employers and emphasized the importance of maintaining those connections as the committee continues to assess its approach to audit and compliance.

a. **Current Employer Audit Status: Coaching/Audit/Legal** *(Video 00:55:03 to 01:20:15):* Following the video presentation, Mr. Barrow reflected on Ms. Adkins' contributions and outlined several actions already implemented, including a centralized email list to streamline audit referrals. He noted plans to meet with the State Auditor to align priorities and shared updates on two APA-referred cases. A slide from the presentation materials illustrating ERCE's audit funnel showed most efforts focused on coaching, with a small percentage escalating to formal audits. Mr. Owens raised concerns about audit percentages and documentation, citing inconsistencies in APA referrals and noting the importance of transparency. Mr. Barrow clarified the data context and deferred to Mr. Board for further legal details.

b. **Litigation Costs and HR Staffing Update** *(Video 01:02:41 to 01:20:15):* Mr. Board reported that KPPA Office of Legal Services has handled 17 ERCE-referred cases since April 2021—two from audits and 15 related to collections—with 96.6% of funds recovered. Mr. Owens questioned labeling these cases as minor, noting they resulted in over $1 million in collections. Staffing updates followed, including the hiring of three counselors to support audits, with a manager position pending. Mr. Webb emphasized the value of regular audits and the need to meet the five-year audit plan. Mr. Cheatham stressed the importance of documented audit trails. He referenced internal audit findings that revealed reports with confirmed or potential issues and called for a system-driven approach to ensure accurate reporting and contribution collection. Dr. Carver raised concerns about underutilizing KPPA's internal audit staff, prompting Mr. Webb to reaffirm the committee's role in addressing such questions.

6. Mr. Webb introduced agenda item ***APA Referral*** *(Video 01:20:15 to 01:23:05)*. Mr. Owens gave a brief report, reflecting on a prior meeting with Ms. Adkins and her central question, "Where should we put resources to get the biggest return?" He agreed this was key to the committee's mission and suggested audit resources may be best directed through the State Auditor's office, given KPPA's oversight of roughly 1,200 employers.

   Mr. Owens noted that the first APA referral was received on May 14, 2025, and that KPPA leadership responded positively. Although the project began in 2023, staff were not hired until June 2025. After considering alternatives, the Board chose to respond formally to the APA, and the letter is included in the Board Book. He encouraged members to review it.

   Mr. Webb thanked Mr. Owens and opened the floor for comments. He noted that Auditor Ball's referrals warrant further review and that ERCE's additional findings support the need for a stronger process to evaluate employer contributions.

7. Mr. Webb introduced agenda item ***Chief Auditor Investigation*** *(Video 01:23:05 to 01:30:12)*. Ms. Coffey introduced herself to the committee, noting her 21 years of experience as an internal auditor and her background conducting audits of public entities. She emphasized the importance of building strong relationships with employer leadership and shared that KPPA is a member of the Association of Public Pension Fund Auditors. In 2018, KPPA surveyed other systems and found that most housed employer audits within their internal audit departments—a model also used by Kentucky Teachers' Retirement System.

Ms. Coffey proposed a five-year rotating audit plan to review all 1,200 participating employers, with each of four auditors conducting approximately 60 audits annually. She acknowledged the ambitious nature of the plan but affirmed its feasibility with trained staff. She also clarified that while APA audits are thorough, many are conducted by contracted firms, and entities like cities and special districts often receive less scrutiny.

She stressed the importance of coordinated communication with employers and recommended that internal audit lead compliance efforts, while ERCE continue its role in education and training.

Mr. Webb thanked Ms. Coffey and agreed that audits need not be adversarial. He emphasized the importance of payroll controls in pension reporting and noted the limited scope of APA audits, underscoring the need for a cyclical review mechanism for other governmental entities. He expressed appreciation for the proposed plan and its potential to enhance oversight.

8. Mr. Webb introduced agenda item ***Next Steps*** *(Video 01:30:12 to 01:36:11)*. Mr. Owens highlighted a fraud tip from December 2022 regarding an employer's failure to report full-time employees and noted that it is still under legal review nearly three years later. He emphasized the need for timely resolution and referenced KRS 61.505, subsection 1(c), suggesting the statute be clarified to confirm whether KPPA can decline tasks assigned by the CERS or KRS Boards. He proposed elevating the Chief Auditor's role to lead a new division focused on employer audits, enabling full coverage of all 1,200 CERS employers. Stressing strategic resource allocation, he echoed Ms. Adkins' question: "Where should we put the resources to get the biggest return?"

   Mr. Webb supported the proposed structure, noting its alignment with the State of Indiana's model, where internal audit leads compliance reviews with support from reporting staff. In response to Dr. Carver's request for clarification, Mr. Webb explained that Indiana's internal audit initiates investigations, with employer reporting assisting as needed. He concluded by emphasizing the importance of transparency and cautioned against minimizing Auditor Ball's referral, underscoring the committee's duty to uphold strong internal controls.

9. There being no further business, Mr. Webb ***adjourned*** the meeting.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees 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 conjunction with this meeting.

Recording Secretary

I, Steven Webb, the Chair of the CERS Employer Audit Committee, do certify that the Minutes of Meeting held on October 13, 2025, were approved on July 13, 2026.

Steve Webb

Chair of the CERS Employer
Audit Committee

I have reviewed the Minutes of the October 13, 2025, CERS Employer Audit Committee Meeting for content, form, and legality.

Executive Director
Office of Legal Services