

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
INTERNAL AUDIT COMMITTEE MEETING
OF DECEMBER 19, 2017**

A meeting of the West Virginia Consolidated Public Retirement Board (CPRB) Internal Audit Committee was held in the Legal Conference Room located at the offices of the CPRB, 4101 MacCorkle Avenue, SE, Charleston, West Virginia, and was called to order at 2:30 p.m. by Cabinet Secretary, John A. Myers, Chairman.

Roll Call

Members present were:

Cabinet Secretary John A. Myers, *Chairman*
Diana Stout, Esquire, *representing Treasurer John Perdue*
Captain Michael Corsaro
Jeff Vallet

Members absent were:

Jeff Waybright, *representing Auditor John B. McCuskey*

A quorum was present.

Due notice had been published.

Also, present were:

Jeffrey Fleck, CPRB Executive Director
Terasa Miller, CPRB Deputy Director
Candi Kinslow, Executive Assistant
Heather Drake, CPRB Administrative Assistant
Tim Abraham, CPRB Compliance Officer
Tina Baker, CPRB Internal Auditor

Item #1: Approval of the October 10, 2017 Meeting Minutes.

Captain Corsaro made a motion to approve the October 10, 2017 meeting minutes. The motion was seconded by Mr. Vallet. The motion carried unanimously.

Item #2: Update on Annuitant Deaths Request from the 10/10/2017 Committee Meeting.

Tina Baker, Internal Auditor gave an update on the Annuitant Deaths Request from the 10/10/2017 meeting for the Committee. She announced this audit discussed three annuitants who had been deceased for significant periods of time and whose deaths had only been discovered when

their 2016 1099-R's were returned as undeliverable.

Captain Corsaro asked if we could create a form to send to members every 1-2 years requesting the member to update their information. He asked the staff to prepare a solution for this issue and bring it to the next Committee Meeting.

Item #3: Internal Audit of PERS Reinstatements and Retroactive Service Purchases.

Ms. Baker reviewed the Internal Audit of PERS Reinstatements and Retroactive Service Purchases with the Committee. She reviewed the following with the Committee:

I. Objective

She announced, the objective of this audit was to determine whether internal controls are sufficient and operating as intended to ensure reinstatements and retroactive service purchases are processed in accordance with applicable rules, laws, and policies.

II. Scope and Methodology

She informed the Committee that this audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors and other procedures deemed appropriate. She announced the summary of findings are as follows:

III. Summary of Findings

1. All reinstatement payments posted in October 2015, affecting files for a total of eight people, were posted in PE75 but not PE10 in the legacy system. Reinstatement payment information converted to COMPASS was based on PE10, resulting in inaccurate payment information showing in COMPASS. These figures have been corrected.
2. One individual who became reemployed on August 25, 2014 made a lump sum reinstatement payment on August 19, 2015, before being employed for a full year, in violation of WVC §5-10-18(a). The COMPASS system has checks in place that would indicate an individual was ineligible for reinstatement if a payment was submitted before the full statutorily required year of employment was up, which should prevent such oversights in the future.
3. The incorrect total amount due was used for two monthly payment schedules, resulting in one individual underpaying \$71.65 and one underpaying \$21.96. In the COMPASS system, this amount is calculated and populated by the system rather than being manually entered, which should help prevent such errors in the future.
4. One retroactive service employer overpayment was not returned for accurate payment.

5. A legal opinion provided by counsel indicates that the retroactive service purchase interest exemptions provided for in WVC §5-10-14(f) may be a violation of the equal protection clause of the WV Constitution.

Ms. Baker recommended that the Error Correction Policy always be followed and that the Internal Audit Committee recommend that the Board notify the Governor, Senate President, and House Speaker of the suspected unconstitutionality of the interest exemptions provided by WVC §5-10-14(f).

Executive Director Fleck discussed the agency response with the Internal Audit Committee and pointed out that CPRB is complying with code in its current practices.

Mr. Vallet made a motion the Internal Audit Committee adopt and approve the Internal Audit of the PERS Reinstatements and Retroactive Service Purchases as presented by the Internal Auditor and the response from the Agency. The motion was seconded by Captain Corsaro. The motion carried unanimously.

Item #4: Special Memo Concerning a Retiree's Contracted Employment with a PERS Agency while Collecting a Retirement Annuity.

Ms. Baker reviewed with the Committee the Special Memo Concerning a Retiree's Contracted Employment with a PERS Agency while Collecting a Retirement Annuity.

Item #5: Tentative 2018 Audit Plan.

Ms. Baker reviewed with the Committee the Tentative 2018 Audit Plan. She announced to the Committee that she will be auditing the following in 2018: Annuity Payroll, Workers' Compensation Credit, RSS Fraud Prevention Controls, Update on Past Internal Audits, and External Audit Coordination.

Mr. Vallet made a motion to accept the Tentative 2018 Audit Plan proposed by the Internal Auditor. The motion was seconded by Ms. Stout. The motion carried unanimously.

Item #6: State Auditor's Report on Marion BOE.

Ms. Baker reviewed with the Committee the State Auditor's Report on the Marion County BOE. She announced the State Auditor's Office completed an engagement for the CPRB. They were looking at the Marion County Board of Education using the objectives we requested to ensure that retirees being reemployed are done so according to applicable laws. She announced the Auditor's Office found no exceptions.

Item #7: November 2017 APPFA Conference Report.

Ms. Baker reviewed with the Committee the November 2017 Association of Public Pension Fund Auditor's Conference that she attended. She announced it was a great conference and she obtained many new audit ideas.

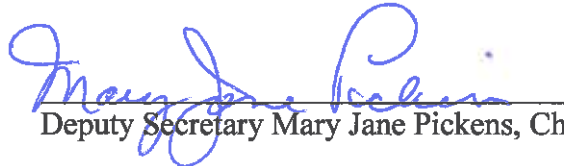
Item #8: Other Business

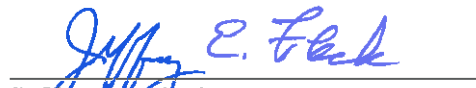
Chairman Myers asked if there was any other business to bring before the Internal Audit Committee. None was heard.

Captain Corsaro made a motion to adjourn the public meeting of the CPRB Internal Audit Committee. The motion was seconded by Mr. Vallet. The motion carried unanimously.

Chairman Myers adjourned the December 19, 2017 CPRB Internal Audit Committee Meeting at 1:59 p.m.

Respectfully submitted,


Deputy Secretary Mary Jane Pickens, Chairman


Jeffrey E. Fleck, Executive Director