

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
INTERNAL AUDIT COMMITTEE MEETING
OF JULY 17, 2018**

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, on Tuesday, July 17, 2018. The meeting was called to order at 10:04 a.m. by Cabinet Secretary, John A. Myers, Chair.

Roll Call

Members present were:

Cabinet Secretary John Myers, Chairman
Diana Stout
Jeff Waybright

Members absent were:

Captain Michael Corsaro
Jeff Vallet

A quorum was present.

Due notice had been published.

Also, present were:

Jeffrey Fleck, CPRB Executive Director
Terasa Miller, CPRB Deputy Director
Nancy Butcher, Executive Assistant
Vicki Sutton, Manager, Membership Services
John Galloway, CPRB Chief Financial Officer
Tim Abraham, CPRB Compliance Officer
Tina Baker, CPRB Internal Auditor

Item #1: Approval of the April 24, 2018, Meeting Minutes.

Ms. Stout made a motion to approve the April 24, 2018 meeting minutes. The motion was seconded by Mr. Waybright. The motion carried.

Item #2: Workers' Compensation Service Purchase Processes.

Ms. Baker reviewed the Internal Audit of the Workers' Compensation Service Purchase Process. She explained that the objective of the audit was to review the accuracy of workers' compensation service credit processes and determine how to address known issues with workers' compensation in the COMPASS system. The scope of the review included all member records that had workers' compensation service credit added since COMPASS 4b went live May 2, 2017

until March 8, 2018; all annuities processed between May 1, 2017 and March 8, 2018, that included workers' compensation service credit; and all members records that had workers' compensation credit converted from the legacy system to COMPASS.

Summary of Findings

- 1. There are no written policies and procedures for processing workers' compensation in the COMPASS system.***
- 2. A legal opinion provided by legal counsel recommends clarifying by legislative rule the method used to calculate TRS workers' compensation purchase amounts. Although the COMPASS calculation ensures uniformity by only using one method, two different methods were used in the past.***
- 3. COMPASS includes rules that ensure compliance with requirements in Code, such as that members cannot be credited with more than one year of service in a year; that payments for TRS purchases cannot be made beyond two years after the cessation of workers' compensation; and that credit cannot be given if the member did not return to work or, for DSRS members, retire after termination of workers' compensation.***
- 4. COMPASS gives contributory service priority over non-contributory/credited service, but in some cases where staff manually adjusted service credit, the contributory service was adjusted instead.***
- 5. COMPASS does not calculate TRS workers' compensation service purchase amounts correctly. Additionally, the certification form filled out by the employer in Employer Self Service (ESS) does not allow the employer to enter more than 31 days of workers' compensation per fiscal year and the label for the annual salary field needs to be titled "annual salary" to prevent errors in information provided by employers. Membership staff has logged these bugs so that they can be corrected by Deloitte.***
- 6. When bugs are corrected in COMPASS, the fix is from that point forward. If certain member records are known to be affected by a bug, those specific member records are corrected by having a "roll-up" done to update them. If member records are unknowingly affected by the bug, those are corrected as they are encountered. Determining all member records affected by corrected bugs would be a time and labor-consuming process, but the Internal Auditor has concerns about errors not being detected and corrected. Management should consider enhancing information-sharing so that all staff members are aware of what bugs and defects have been corrected, what account aspects are affected so they know what to look for, and what steps need to be taken to correct the account if an issue is identified.***
- 7. One PERS file had been credited with the wrong amount of workers' compensation due to human error. In order to prevent such errors, it is recommended that the full quality control process always be conducted.***
- 8. Several staff members mentioned that the service summary bubble on the Contributions screen in COMPASS had recently changed and was no longer showing the correct***

information. A plan is in place to re-label the fields to show service in a way that makes more sense to staff.

- 9. An issue exists with some PERS workers' compensation credit converted over from the legacy system to COMPASS. The Internal Auditor requested a report from IT that identified the individuals with incorrect service credit and Membership staff will be manually correcting them. Of the 19 affected individuals, 7 retired in the evaluated timeframe. Four were caught and corrected when their retirements were processed and three were not. One of these three annuities will have to be recalculated.*
- 10. Calculation rules for computing annuities that include workers' compensation appear to be correct in COMPASS.*

Recommendations

- 1. The Internal Auditor recommends that written policies and procedures be developed for workers' compensation service purchase processes.**
- 2. The Internal Auditor recommends that CSR §162-4 be amended to clarify the specific method used to determine TRS workers' compensation service purchase amounts. It is further recommended that consideration be given to correcting past purchases of TRS workers' compensation as necessary to ensure uniformity.**
- 3. The Internal Auditor recommends that when written policies and procedures are developed, these include instructions for manually adjusting service credit so that workers' compensation is reduced if necessary rather than contributory membership service.**
- 4. The Internal Auditor recommends that management consider enhancing information-sharing so that staff members are aware of what bugs and defects have been corrected, what account aspects are affected so they know what to look for, and what steps need to be taken to correct the account if an issue is identified (manual correction by the staff member, request roll-up from IT, etc).**
- 5. The Internal Auditor recommends that the full quality control process always be conducted for workers' compensation service purchases.**

Mr. Fleck discussed the agency response to the audit and informed the committee that the agency is incorporating the Internal Auditor's recommendations.

Ms. Stout moved to accept the report of the Internal Auditor. Mr. Waybright seconded. Motion carried.

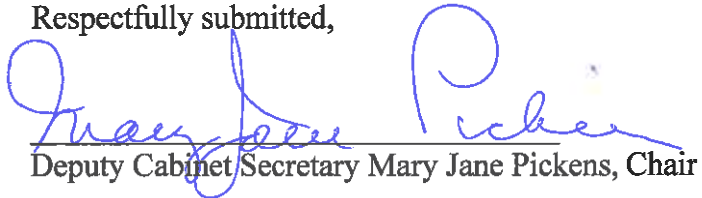
Item #3: APPFA – May 2018 Conference – Interim Secretary Position.

Ms. Baker gave a review of her attendance at the May 2018 Conference of the Association of Public Pension Fund Auditors (APPFA). She also informed the committee members that she has been asked to fill the position of Interim Secretary and asked for their approval. The Committee members congratulated her and encouraged her to accept the position. Diana Stout

made a motion to approve Ms. Baker's position with APPFA. Jeff Waybright seconded the motion. Motion carried.

There being no further business to come before the committee, Mr. Waybright made a motion to adjourn the July 17, 2108 meeting of the CPRB Internal Audit Committee. The motion was seconded by Ms. Stout. The motion carried.

Respectfully submitted,


Deputy Cabinet Secretary Mary Jane Pickens, Chair


Jeffrey E. Fleck, Executive Director