

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
INTERNAL AUDIT COMMITTEE MEETING
OF APRIL 24, 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, April 24, 2018. The meeting was called to order at 10:02 a.m. by Deputy Cabinet Secretary, Mary Jane Pickens, Chair.

Roll Call

Members present were:

Acting Chair Mary Jane Pickens, *representing Cabinet Secretary John Myers*
Captain Michael Corsaro
Jeff Vallet

Members absent were:

Diana Stout, Esquire, *representing Treasurer John Perdue*
Jeff Waybright, *representing Auditor John B. McCuskey*

A quorum was present.

Due notice had been published.

Also, present were:

Jeffrey Fleck, CPRB Executive Director
Teresa Miller, CPRB Deputy Director
Nancy Butcher, Executive Assistant
Heather Drake, CPRB Administrative Assistant
John Galloway, CPRB Chief Financial Officer
Tim Abraham, CPRB Compliance Officer
Tina Baker, CPRB Internal Auditor

Item #1: Approval of the December 19, 2017 Meeting Minutes.

Captain Corsaro made a motion to approve the December 19, 2017, meeting minutes. The motion was seconded by Mr. Vallet. The motion carried unanimously.

Item #2: Internal Audit of Annuity Payroll.

Ms. Baker reviewed the Internal Audit of the Annuity Payroll. She explained that the objective of the audit was to review the timeliness of annuity processes and the accuracy of annuity payments. The scope of the review included monthly and weekly supplemental annuity payroll

processes and payments made from September – December 2017. The findings of the audit and the recommendations are as follows:

Summary of Findings

- 1. Monthly and supplemental payroll processes were generally conducted timely in the evaluated timeframe.*
- 2. The September 2017 monthly payroll was interrupted by a COMPASS production build, which caused approximately 480 payments to have to be run on a supplemental payroll, leading to a delay in payment of one day.*
- 3. No incorrect payments were uncovered in the sample, which would indicate strong controls. However, processes could be enhanced by the development of a refunds reconciliation report. Deloitte staff indicated that the development of this report will be prioritized.*
- 4. COMPASS does not process Required Minimum Distribution amounts (RMDs) from refunds, which means staff must complete time-consuming manual processes. The RMD design is currently in development and should be deployed to CPRB for testing by April.*
- 5. Sometimes refund rollovers generate two checks. A bug was previously logged and closed, but the issue still exists. The next time the error occurs, the refunds manager will relog the bug and Deloitte will further analyze the issue to find the cause and develop a fix.*
- 6. The multiple beneficiary functionality for refunds in COMPASS is not working properly. When refunds are made to multiple beneficiaries, the refund amounts are not showing as being refunded in the system. The fix for this issue is in testing with Deloitte and will be prioritized for the next deployment to CPRB.*
- 7. Management should consider incorporating the use of the Journal feature of COMPASS to provide details concerning unusual circumstances into routine procedures followed by all staff.*
- 8. There are several issues with letters generated by COMPASS. Bugs or defects have been logged for the majority of these so that they can be corrected.*
- 9. A number of documents that are incorrect or irrelevant remain in individuals' imaged documents. These documents should be removed in order to prevent errors or confusion in the future. The solution to this issue will require the input of the entire management team, including IT, Imaging, etc, and should be addressed as soon as possible to limit the potential impact of the problem.*
- 10. Service posting discrepancies were found in 44 files during the 4a phase of COMPASS development. Since the discrepancies did not seem to impact benefit calculations and correcting them would require researching each individual's service, it was decided to place a comment in the COMPASS Journal of each file so that the service could be corrected if recalculation is ever necessary. Management should determine whether*

correcting these files would be beneficial at this time. If not, the comment inserted in these files should be expanded to clarify the nature of the issue.

Recommendations

- 1. It is recommended that management consider incorporating the use of the Journal feature of COMPASS to provide details concerning unusual circumstances into routine procedures followed by all staff.*
- 2. It is recommended that the management team work together to determine how best to resolve the issue of inaccurate or irrelevant documents remaining in imaged documents.*
- 3. It is recommended that management determine whether it would be beneficial for the 44 files with service posting discrepancies logged during phase 4a of COMPASS to be corrected at this time. If it is determined that this is still not a good use of finite resources, the comment included in these files should be updated to better explain the nature of the service posting error so that, should any of these benefits require recalculation, staff conducting the calculation will be able to easily determine the issue and the required correction.*

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

Mr. Vallet moved to accept the report of the Internal Auditor. Captain Corsaro seconded. Motion unanimously carried.

Item #3: Update on Annuitant Deaths.

Ms. Baker gave an update on the Annuitant Deaths issue. Captain Corsaro provided additional information regarding the investigation of annuities that were paid out incorrectly. There was discussion regarding additional resources to the agency to locate others who may be receiving annuity payments incorrectly.

Item #4: State Auditor Reports.

Ms. Baker reviewed with the Committee the State Auditor's Report on the Barbour County Board of Education, the Brooke County Board of Education and the Preston County Board of Education. She announced the State Auditor's Office completed an engagement for the CPRB. They were looking at each of the BOEs 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 #5: Proposed Audit Planning Document.

Mr. Fleck reviewed an example of a spread sheet used by another state agency to track internal audit projects. The CPRB is working on creating a similar spreadsheet.


Item #6: Other Business

Chairwoman Pickens 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.

Chairwoman Pickens adjourned the April 24, 2018, CPRB Internal Audit Committee Meeting at 10:38 a.m.

Respectfully submitted,


Deputy Secretary Mary Jane Pickens, Chairwoman


Jeffrey E. Fleck, Executive Director