

MINUTES OF THE AUDIT & COMPLIANCE COMMITTEE MEETING

July 30, 2024

Members Present:

Barbara J.C. Baird, SERS Trustee (via video conference)  
Arnold Black, SERS Trustee  
Marvin Becker, Comptroller Designee

Others in attendance:

Tim Blair, Executive Secretary  
Casey Evans, Chief Internal Auditor (CIA)

A meeting of the Audit and Compliance Committee of the Illinois State Employees' Retirement System was held on Tuesday, July 30, 2024, at 9:00 a.m. in the System's Springfield office located at 2101 South Veterans Parkway.

The meeting was called to order at 9:00 a.m. with a quorum established to conduct business. There were no members of the public present, and no public comments were submitted. The July 30, 2024, committee meeting minutes were provided to the Committee in advance of the meeting. Following review of the minutes, Trustee Black moved to approve the committee minutes. The motion was seconded by Mr. Becker. All members were in favor and the minutes were approved.

The Committee was previously provided with a copy of the FY2022-2023 external compliance examination issued by the Office of the Auditor General. The Committee briefly discussed the audit report, the issued findings, and management's response to these findings. It was noted that the IT findings primarily focused on the need to improve policies, procedures, and documentation. CIA Evans highlighted that in auditing IT practices, the auditors will typically start by evaluating internal controls through review formal written documentation. The absence or lack of detailed documentation will often result in an audit finding. He continued by noting the importance of policies and procedures in providing systematic, structured, and repeatable processes. It was noted that the external auditors would likely be beginning their FY2024 financial audit work in the coming months.

The Committee began discussing the core internal audit documents updated annually by Internal Audit, including the Internal Audit Charter and the Two-year Internal Audit Plan. CIA Evans highlighted the FY2025 internal audit charter which lays out the mission, purpose, authority, and scope of internal audit. The Committee was provided with a summary of the functions of internal audit, SERS management, and the audit

committee. Further, the Committee was provided information about the importance of auditor independence and objectivity. The Committee was informed of the IIA Standards and that the Charter remained relatively unchanged from the prior year with minor revisions.

CIA Evans explained that new IIA Standards will become effective in January 2025, which is currently being evaluated. The internal auditors have reviewed the new standards and will receive training on the standards prior to implementation in the coming months. Following discussion, the Trustee Baird moved to approve the FY2025 Internal Audit Charter. The motion was seconded by Trustee Black. All were in favor and the Charter was approved unanimously.

The Committee began discussion of the two-year internal audit plan covering FY2025-2026. CIA Evans explained that the two-year plan was based upon the annual risk assessment, while also considering audits that are performed on a rotating basis, covering the core business processes of the retirement system. The group discussed the audits scheduled during FY2025 and FY2026.

CIA Evans highlighted the need to audit IT disaster recovery and business continuity at the retirement system and discussed how a recent, global IT outage caused by a popular network detection and response application impacted the retirement system's operations. He explained that IT staff worked well with division managers and Internal Audit to determine which users and system were given priority in restoration. As a result of this work, the retirement system was able to ensure refund payments scheduled were paid timely. CIA Evans further described the need to continue to formalize IT policies and procedures in which he hopes to work collaboratively with IT staff during FY2025 in this process.

Following discussion of the two-year audit plan, Trustee Black moved to approve the audit plan as presented. The motion was seconded by Trustee Baird, and the audit plan was approved by the members of the Committee. CIA Evans directed the members to a summary of the retirement system's objectives and long-term risks. The Committee discussed core objectives of the retirement system, along with the top 5 long-term continued risks and IT risks to SERS. Following discussion, the Committee began discussing recent internal audit activity.

CIA Evans discussed recent fraud monitoring efforts and worked performed to detect and help prevent various fraud schemes. A brief updated was provided to the Committee on the progress in converting members and retirees to the iLogin authentication portal with a new user registration process for identity proofing purposes. Currently, approximately 11% of the existing member services users have been converted to iLogin. The Committee discussed current difficulties in converting members to iLogin and the level of staff resources needed in this project. The retirement system expects the number of members converting to this new portal to increase each month. Internal Audit will provide updates as the conversion continues.

With there being no new or old business brought before the Committee, Mr. Becker made a motion to adjourn the meeting, which was seconded by Trustee Black. The meeting was adjourned at 9:53 a.m.