



**PERA**

Public Employees  
Retirement Association  
of New Mexico

INVESTED IN TOMORROW.

## **Audit & Budget Committee Meeting**

Meeting via Zoom

**Tuesday, December 13, 2022**

9:00am

### **Committee Members**

Diana Rosales Ortiz, *Chair*  
Shirley Ragin, *Vice Chair*  
Valerie Barela

Francis Page  
Maggie Toulouse Oliver

### **AGENDA**

- 1. Call to Order**
  - 2. Roll Call**
  - 3. Approval of Agenda**
  - 4. Approval of August 25, 2022 Audit & Budget Committee minutes**
  - 5. New Business**

<b>A.</b> Results of Internal Audit Risk Assessment and Internal Audit Plan	Action	Laura Beltran-Schmitz, CliftonLarsonAllen
<b>B.</b> Review and Update the Audit and Budget Committee Charter	Action	Lynette Kennard, CFO
<b>C.</b> Review Budget and Actual for FY22	Informational	Lynette Kennard, CFO
<b>D.</b> Memo of Continuity	Informational	Lynette Kennard, CFO
  - 6. Adjournment**
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Any person with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact Trish Winter at (505) 795-0712 or [patriciab.winter@pera.nm.us](mailto:patriciab.winter@pera.nm.us) at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact Ms. Winter if a summary or other type of accessible format is needed.



*We'll get you there.*

# Internal Audit Plan 2023 - 2025

Public Employees Retirement Association of New Mexico

CPAs | CONSULTANTS | WEALTH ADVISORS

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# Internal Audit Team

CliftonLarsonAllen LLP (CLA) is providing the following plan for internal audit services to the Public Employees Retirement Association of New Mexico (PERA) for the fiscal years ending June 30, 2023 through 2025. CLA's core audit team includes:

- Laura Beltran-Schmitz, CPA, CFE, CGFM, CICA, Principal
- Brittany Smith, CPA, CIA, Internal Audit Manager
- Emily Wilson, CPA, CFE, Internal Audit Manager

As additional information is obtained throughout the year, we will reevaluate the risk areas and will adjust the audit plan as considered necessary upon approval by management and the Audit and Budget Committee.



# Purpose of Internal Audit

- According to the [Definition of Internal Auditing](#) in The IIA's [International Professional Practices Framework \(IPPF\)](#), internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

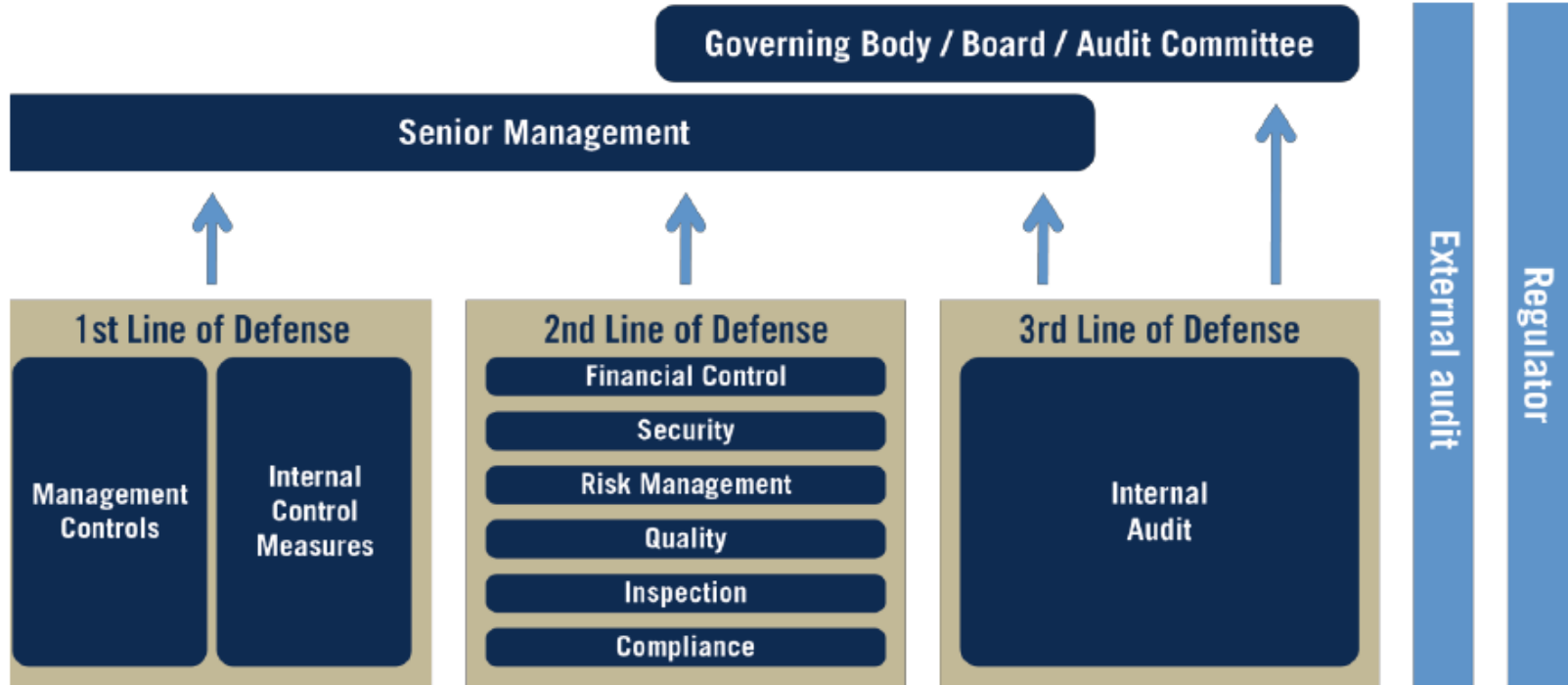
# Planning and Risk Assessment

1. In collaboration with two Board Members, including the Board Chair, we designed a questionnaire regarding perceived risks to PERA and areas in which PERA could benefit from internal audit procedures
2. Obtained responses to the questionnaire from:
  - a. Four board members
  - b. Four members of executive management
  - c. Twenty-two other PERA team members selected across all PERA departments

# Planning and Risk Assessment (continued)

3. Completed and attempted follow-up calls with selected individuals
4. Read relevant portions of the New Mexico Administrative Code.
5. Considered PERA's June 30, 2021, audited financial statements.
6. Considered documents provided by management including strategic plan for 2018-2022.
7. Considered previously completed internal audit projects and results.

# Collaboration



*Adapted from ECIIA/FERMA Guidance on the 8th EU Company Law Directive, article 41*



# Risk Ranking

Areas of Concern	Likelihood (1-5)	Magnitude (1-5)	Score
Disability Payments	5	2	10
Records Management	5	2	10
Case Management Software	3	3	9
Employer Education and Outreach	2	2	4
Succession Planning	3	4	12
Modern Management	4	5	20
Employer Contribution Reporting Errors	4	3	12
Investment Oversight	3	5	15
Investment Department Related Technology	4	2	8
Member Online Account Self-Service	4	4	16





# Fiscal Year 2023 Audit Plan

## Proposed Audit Areas

Functional Area	2023
Member Services	Disability Payments
Member Services	IT – Member Online Account Self-Service Options
Governance & Management	Modern Management

## Estimated Allocation of Effort

Internal Audit Area	Estimated Hours
Risk Assessment and Audit Plan	100
Disability Payments	200
IT – Member Online Account Self-Service Options	200
Modern Management	250
Follow-up on Outstanding Observations and Internal Audit Training*	80
Total Hours	830

\* Follow-up on Audit and Budget Committee requested completed audits



# Fiscal Year 2024 Audit Plan

## Proposed Audit Areas

Functional Area	2024
Member Services	Records Management
Investments	Investment Department Related Technology
Governance & Management	Succession Planning
Employer Services	Employer Outreach and Education
Investments	Investments – Manager Selection and Monitoring

## Estimated Allocation of Effort

Internal Audit Area	Estimated Hours
Records Management	200
Succession Planning	200
Investment Department Related Technology	150
Employer Outreach and Education	150
Investments – Manager Selection and Monitoring	200
Follow-up on Outstanding Observations and Internal Audit Training*	100
<b>Total Hours</b>	<b>1,000</b>

\* Follow-up on Audit and Budget Committee requested completed audits



# Fiscal Year 2025 Audit Plan

## Proposed Audit Areas

Functional Area	2025
Governance & Management	Organizational Communication and Efficiencies
Employer Services	Employer Payment Transmittals
Member Services	Benefit Payment Management Tools
Investments	Investment Policy Statement Compliance

## Estimated Allocation of Effort

Internal Audit Area	Estimated Hours
Organizational Communication and Efficiencies	150
Employer Payment Transmittals	200
Benefit Payment Management Tools	200
Investment Policy Statement Compliance	200
Follow-up on Outstanding Observations and Internal Audit Training*	150
Update of Audit Plan and Risk Assessment	50
Total Hours	950

\* Follow-up on Audit and Budget Committee requested completed audits



# Planned Procedures

- At the start of each internal audit, there will be a kick-off call with selected personnel to create appropriate procedures to address risks identified during our risk assessment.
- Base-level steps include:
  - Understanding of key personnel/roles of personnel in selected division
  - Understanding of internal controls/policies/procedures
  - Walkthroughs and testing of the aforementioned
  - Procedures designed to address specific project, based on information learned from previous steps

# Follow-up on Outstanding Audit Recommendations

- Implementation and accountability of audit recommendations are the responsibility of management.
- Assess the implementation of recommendations and evaluate the adequacy and timeliness of corrective action
- Audit procedures include validation (testing) of the implementation of audit recommendations on all “High” and “Priority” level findings.
- Incorporated throughout the year and reported to the Audit and Budget Committee during quarterly meetings.

# Audits Performed from 2015 – 2023

Audit Areas	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Census Data and Employer Payroll	X					X					
Investments - Manager Selection/Monitoring						X				X	
Governance						X					
457 Plan - Custody Transfer Process						X					
Benefit Payments and Member Refunds		X					X				
Years of Service and Wage Eligibility			X				X				
Investments - Performance Reporting				X			X				
Rio Enhancements and Updates		X					X				
Information Technology				X				X			
Employer Payment Transmittals					X			X			X
Investments - Reconciliation and Monitoring					X			X			



# Audits Performed from 2015 – 2023 (continued)

Audit Areas	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Legislative Updates								X			
Custody Bank Transfer Process	X										
Investment Policy Statement Compliance		X									X
Procurement, Accounts Payable and 1099 Reporting			X								
Organizational Communication and Efficiencies				X							X
Customer Service					X						
Disability Payments									X		
Investment Department Related Technology									X		
Modern Management									X		
Records Management										X	
Succession Planning										X	
Employer Outreach and Education										X	
Benefit Payment Management Tools											X





## AUDIT AND BUDGET COMMITTEE CHARTER

### **Section 1**

#### **Statement of Purpose**

The PERA Board has oversight of the retirement fund of the Plan's financial reporting, compliance with laws and policies, and risk management activities. The Audit and Budget Committee also has oversight in the Plan's financial reporting compliance with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) Standards, and ~~the American institute of CPAs (AICPA)~~ NM State Audit Rule. The Audit and Budget Committee assists the Board in fulfilling its fiduciary oversight responsibilities by participating in the selection and evaluation of the System's independent external auditor and the internal auditor, keeping informed of legal and accounting developments that impact the presentation and reporting of financial information, obtaining information or briefings from the internal and external auditors, and working with PERA executive staff to develop recommendations and advice to the Board.

### **Section 2**

#### **Organization/Membership**

The Audit and Budget Committee shall be composed of a Committee Chair and Vice-Chair, and members who are appointed annually by the PERA Board Chair. Members shall be independent and free from conflict of interest, whether perceived or actual.

### **Section 3**

#### **Committee Meetings and Objectives**

The Committee's main objectives are to provide general oversight and offer recommendations for PERA's audit arrangements, including both internal and external auditing; provide general oversight and approval of PERA's budget; and general oversight of risk management activities. The committee shall meet, no less than four times a year, to address matters on the committee's agenda in accordance with the open meetings act. ▸

### **Section 4**

#### **Authority and Ethics**

- The committee shall have the following authorities; ~~to~~ provide policy assistance to the Board regarding accounting and financial reporting, auditing, budgeting, and risk management activities; and unrestricted authority within the scope of its purview. The committee shall carry





## AUDIT AND BUDGET COMMITTEE CHARTER

out their duties with the highest level of honesty and integrity; act in the interest of the PERA membership; maintain an open avenue of communications with management, staff and the board; and maintain confidentiality and protect the ownership of information. The Committee shall review the following;

- In April, a review of the Operating Budget
- In August, a review of the Appropriation Request
- An annual review of the Audit and Budget Committee Charter
- Internal audit reports presented and reviewed by the Audit and Budget Committee as issued by the ~~IPAs~~internal auditors.

### **Section 5**

#### **Continuity**

The previous Audit & Budget Committee Chair shall provide the new ~~C~~hair and Vice Chair of the Committee with Memo of Transition. The memo will outline items that were reviewed and/or completed the previous year and items that are work in progress.



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## AUDIT AND BUDGET COMMITTEE CHARTER

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## Budget And Actual for the Year Ended June 30, 2022

<i>Category</i>	<i>FY22</i>					
	<i>Beginning Budget</i>	<i>Budget Adjustment Requests/ Special Appropriations</i>	<i>Adjusted Budget</i>	<i>Expended Year-To-Date</i>	<i>Total Projected Expenditures</i>	<i>Projected Variance</i>
<b>200</b>	8,330,500	52,600	8,383,100	7,667,480	7,667,480	<b>715,620</b>
<b>300</b>	25,968,800	(100,000)	25,868,800	20,078,591	20,078,591	<b>5,790,209</b>
<b>400</b>	2,038,800	100,000	2,138,800	1,979,448	1,979,448	<b>159,352</b>
<b>Total</b>	<b>36,338,100</b>	<b>52,600</b>	<b>36,390,700</b>	<b>29,725,519</b>	<b>29,725,519</b>	<b>6,665,181</b>

### **200 Category – Personnel Services and Employee Benefits**

- For Personal Services for fiscal year end June 30, 2022, PERA had total expenditures of \$7.7 million.

### **300 Category – Contractual Services**

- For Contractual Services for fiscal year end June 30, 2022, PERA had total expenditures of \$20.1 million.

### **400 Category – Other**

- For Other Operating Costs for fiscal year end June 30, 2022, PERA had total expenditures of \$2.0 million

Any funds not expended revert to the Trust Fund.



# PERA

Public Employees  
Retirement Association  
of New Mexico

Claudia Armijo  
Chair, State Member  
Greg Trujillo  
Executive Director

Phone: (505) 476-9300  
Fax: (505) 476-9401  
Toll Free: 1 (800) 342-3422  
Website: [www.nmpera.org](http://www.nmpera.org)

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## MEMORANDUM

**DATE:** December 13, 2022

**TO:** Audit & Budget Committee Chair for 2023

**FROM:** Lynette Kennard, CPA, CFO and Diana Rosales-Ortiz, Audit & Budget Committee Chair

**SUBJECT:** Memo of Continuity

The following items were completed by the Audit and Budget Committee in 2022:

- Reviewed the operating budget prior to presentation to the full board
- Reviewed and presented the following internal audits:
  - Employer Payment Transmittals
  - Investment Reconciliation and Monitoring
  - RIO Data Cleansing and Monitoring
- Reviewed and presented the following documents provided by the internal auditors:
  - Fiscal Year 2021 SmartSave External Audit Finding: Resolution Process Memo
  - Follow-up Matrix of Internal Audit Findings
- Reviewed the scope of work for Internal Audit RFP
- Procured internal auditors based on the RFP
- Reviewed the scope of work for External Audit RFP
- Procured external auditors based on the RFP
- Conducted a presentation on GASBS 84 and 87
- Reviewed the appropriation request prior to presentation to the full board
- Participated in the external audit exit conference
- Results of Internal Audit Risk Assessment and Internal Audit Plan (December 2022 Agenda)
- Reviewed and updated the Audit and Budget Committee Charter (December 2022 Agenda)
- Reviewed Budget and Actual for FY22 (December 2022 Agenda)

The following items are currently in progress:

- Presentation on the retirement and refunds processes
- Closure of the Follow-up Matrix of Internal Audit from previous auditors
- Strategic Plan
- BoardSmart review of CPE completion by board members/trustees.

