



INVESTED IN TOMORROW.

## **Audit & Budget Committee Meeting**

via Zoom

**Tuesday, March 9, 2021**  
After SmartSave Committee

### **Committee Members**

Diana Rosales Ortiz, Chair  
Lawrence Davis, Vice Chair  
David Roybal

Loretta Naranjo Lopez  
John Melia

### **AGENDA**

- 1. Call to Order**
- 2. Roll Call**
- 3. Approval of Agenda**
- 4. Approval of Consent Agenda**
- 5. New Business**

A. 2021 Audit and Budget Committee Work Plan	Action	Anna Williams, ASD Director/CFO
B. Presentation on the new E-bill process	Informational	
C. FY 21 Budget Projection through 2/28/2021	Informational	
- 6. Adjournment**

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### **Consent Agenda**

Approval of Minutes of December 8, 2020 Audit & Budget Committee Meeting

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 795-0712 or [patriciab.winter@state.nm.us](mailto:patriciab.winter@state.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.

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## MEMORANDUM

**TO:** Audit and Budget Committee

**FROM:** Anna Williams, ASD Director/CFO

**DATE:** March 9, 2021

**SUBJECT:** 2021 Audit and Budget Committee Work Plan

The purpose of the Audit and Budget Committee is to assist the PERA Board in fulfilling its fiduciary oversight responsibilities by participating in the selection and evaluation of both of the System's independent external and the internal auditors. Also, assists keeping the board informed of any 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.

The following is the 2021 Audit and Budget Work Plan:

March 9, 2021:

- 2021 Audit and Budget Committee Work Plan
- Presentation on the new E-bill process
- FY 21 Budget Projection through February 28<sup>th</sup>

June 8, 2021:

- Internal Auditors: Investments – Performance Reporting
- Internal Auditors: Years of Service and Wage Eligibility
- Presentation on PERA's process and the role of oversight agencies on operational invoices, contacts, payroll, and financial reports.
- FY 21 Budget Projection through May 31<sup>st</sup>

September 7, 2021:

- Internal Auditors: Information Technology
- Presentation on the retiree payroll and refund process and process improvements.
- FY 21 – Budget to Actual Statement



December 7, 2021

- Internal Auditors: Employer Payment Transmittals
- Presentation on GASB 84 Fiduciary Activities and GASB 87 Leases and their impact to PERA
- FY 22 – 1<sup>st</sup> quarter budget projections

Also, the following items must come before the PERA Board in 2021 as informational or action items:

April 29, 2021:

- Fiscal Year 2022 Operating Budget

May 27, 2021:

- Fiscal Year 2020 Schedule of Employer Allocations Report (Executive Session)

August 26, 2021:

- Fiscal Year 2023 Appropriation Request

The work plan will be subject to change based on the needs and the workings of the Audit and Budget Committee.



# PERA

## **Overview of NMPERA E-Bill Process**

**Audit and Budget Committee**

**March 9, 2021**

*Diana Rosales-Ortiz, Audit & Budget Chair*

*Greg Trujillo, Interim Executive Director*

*Anna Williams, Chief Financial Officer*

# Contribution Accounting Overview

- All PERA affiliates must report 100% of their payroll to PERA. All employees of PERA affiliates need to be reported, regardless of PERA membership status.
- PERA staff ensure the contribution data from 300+ employers is accurate and timely.
- PERA staff provides customer service for all PERA employers to assist with questions and issues that arise from the reporting and payment process.
- PERA Employer contributions averages around \$55 million per month. PERA ensures contribution are accurately posted and deposited into the system.

## Total Contributions by Fund

	PERA Fund *	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund	Total
Employer Contributions	\$ 367,524,721	\$ 4,683,130	\$ 1,292,686	\$ —	\$ 373,500,537
Employee Contributions	289,776,597	1,783,295	650,354	—	292,210,246
Purchased Services	7,376,041	—	—	—	7,376,041
State Contributions	900,000	—	—	750,000	1,650,000
<b>Total Contributions</b>	<b>\$ 665,577,359</b>	<b>\$ 6,466,425</b>	<b>\$ 1,943,040</b>	<b>\$ 750,000</b>	<b>\$ 674,736,824</b>

\*PERA FUND – includes the state, counties, municipalities, and local bodies.

# PERA's New Bill Process

- Implemented validations process to ensure employer contributions were reported correctly. This enabled PERA to move forward with changes to E-Bill.

## Changes to E-Bill

- The affiliates must upload their contribution report (payroll file) which must be checked for suspended and bad format records.
- All suspended and bad format records must be corrected before an invoice will generate.
- When the contribution report has no suspended or bad format records, it will run through an overnight validation and generates an invoice the following day.
- Once an invoice is generated the contribution report cannot be changed.
- The new E-bill interface requires an invoice to initiate payment. Payments cannot be made prior to uploading the contribution report (payroll file) .
- E-Bill allows only payments for the invoice amount. If an employer overpays, they must request a refund from staff.
- Reenforces implementation of timely reporting of employers in that they must report and pay timely, or they will be fined \$50 a day.

# What has the new E-Bill process done for PERA?

- Improved the timeliness of reporting and payment of employers.
- *Approximately only 1-5 employers late each month now.*
- Helped with timeliness of refunds and retirements as employee contributions are posted timely.
- Improved data reporting to actuaries at fiscal year end for pension liability amounts.
- PERA Account team is able to review and book the contribution amounts into SHARE sooner at year-end.
- Generates a small miscellaneous revenue for the fund with employer late fees.

PERA Fiscal Year 2021 February 28, 2021 Budget Projection

Category	FY21							
	Beginning Budget	Budget Adjustment Requests/Special Appropriation	Adjusted Budget	Expended Year-To-Date	Encumbered Year-To-Date	Projected Expenditures to Year End	Total Projected Expenditures	Projected Variance
<b>200</b>	8,197,800	-	8,197,800	5,005,031	-	2,938,797	7,943,829	(253,971)
<b>300</b>	26,306,800	-	26,306,800	10,631,878	14,911,160	313,558	25,856,596	(450,204)
<b>400</b>	1,718,900	-	1,718,900	1,149,605	351,417	236,867	1,737,890	18,990
<b>Total</b>	<b>36,223,500</b>	<b>-</b>	<b>36,223,500</b>	<b>16,786,515</b>	<b>15,262,577</b>	<b>3,489,223</b>	<b>35,538,315</b>	<b>(685,185)</b>

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

- As of February 28, 2021, PERA had 8 vacant positions and an FTE vacancy rate of 9.2 percent.
- PERA's Fiscal Year (FY) 2021 operating budget has a budgeted vacancy rate of 4.1 percent.

**300 Category – Contractual Services**

- The Contractual Services category includes \$21.6 million in Investment contracts for consultants and money manager fees. Due to the current market trends investments is reviewing the effect on investments performance fees.

**400 Category – Other**

- The budget shortfall is related to realignment for Information Technology (IT) maintenance from the Contractual Services category to the Other category and acquiring cyber insurance.



**NEW MEXICO**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**  
**Audit & Budget Committee Meeting**  
**December 8, 2020**

1. This monthly meeting of the Audit & Budget Committee Meeting was held on the date cited above via Zoom tele/videoconferencing. David Roybal, Chair, called the meeting to order at approximately 11:55 a.m., and adjourned at 12:10 p.m.

2. **Roll Call**

Trish Winter, Executive Assistant, undertook the roll call. Meeting attendance met quorum, with the following members present:

**Members Present:**

David Roybal, Chair  
Lawrence Davis, Vice Chair  
Claudia Armijo  
Dan Mayfield  
Loretta Naranjo Lopez

**Additional Board Members:**

Paula Fisher  
Patty French  
Maggie Toulouse Oliver  
Steve Neel  
Tim Eichenberg

**Staff Members Present:**

Wayne Propst, Executive Director  
Greg Trujillo, Deputy Director  
Dominic Garcia, CIO  
Kristin Varela, Deputy CIO  
Susan Pittard, Chief of Staff/General Counsel  
Anna Williams, ASD Director/CFO  
Trish Winter, Executive Assistant  
LeAnne Ruffy Larranaga, Portfolio Manager  
Joaquin Lujan, Portfolio Manager  
Karyn Lujan, SmartSave Plan Manager  
Frank Mihail, Portfolio Manager  
Isaac Beckel, Investment Analyst  
Isaac Olayoe, Investment Analyst

**Others Present:**

Francis Page  
Cait Gutierrez, REDW  
Stephanie Sorg  
Susan Ireland, Datagain

3. **Approval of Agenda**

Mr. Lawrence Davis moved to approve the Agenda. Ms. Loretta Naranjo Lopez seconded. The motion to approve the Agenda was passed by a roll call vote as follows:

**PERA Audit & Budget Committee Meeting: September 8, 2020**

David Roybal	Yes
Lawrence Davis	Yes
Claudia Armijo	No
Dan Mayfield	Yes
Loretta Naranjo Lopez	Yes

#### **4. Approval of Consent Agenda**

Ms. Loretta Naranjo Lopez moved the motion to approve the Consent Agenda, seconded by Mr. Dan Mayfield. The Consent Agenda was approved by a roll call vote as follows:

David Roybal	Yes
Lawrence Davis	Yes
Claudia Armijo	No
Dan Mayfield	Yes
Loretta Naranjo Lopez	No

#### **5. New Business**

##### ***A. Benefit Payment Internal Audit***

Ms. Cait Gutierrez, CPA Internal Audit Manager REDW, briefed the Committee on to present the benefit payment internal audit report. The audit focused on the processes and controls related to benefit payments to retirees; specifically, those areas of new retiree application processing, member benefit determinations, member placement on payroll and the direct deposit change process.

The audit also looked at user access and terminations within the case manager and RIO systems to determine if that access was appropriate based on job title and function, and if that access was removed timely upon user termination.

##### **Observation 1: Direct Deposit Changes on Member Accounts**

Members are required to utilize a direct deposit change form in order to initiate a change to banking account information on their payroll accounts. Testing identified several things in this area:

1. There are currently two forms that are utilized with one requiring more information than the other.
2. We also found one of 40 changes where the information on the voided check did not agree to the form submitted and there were no notes in the system to support additional research was performed to ensure that request was legitimate.
3. The review of the direct deposit policy indicated that it does not address the review process to ensure it's robust enough to identify potential red flags.

Risk flagged as moderate, reduced from high as there has been internal communication regarding what to watch out for when processing these changes.

Recommendation is PERA implement training on at least an annual basis to ensure employees who process these changes are aware of what to look for and potential risks. The policies and procedures should also be updated to include that robust review process. PERA should consider discontinuing the old direct deposit change form, as the new one does require more information that makes the process a little more secure.

Management concurs with recommendation and is working on implementing the various components by the end of fiscal year 2021.

Chairman Roybal requested on behalf of PERA step to be kept informed as the recommendation is carried out to address this issue. Ms. Anna Williams, ASD Director/CFO, confirmed this request.

#### Observation 2: Case Manager and RIO User Access Termination

When an employee terminates from PERA, their access to these systems should be removed on the date of termination or before, to ensure that they cannot access any sensitive data within these systems. Testing found that six of 12 user terminations did not have the Active Directory Account disabled on the date of termination. Variances ranged anywhere from two to 30 days after termination.

Risk assessed as moderate, reduced from high, as a determination was made employee credentials only work on PERA-authorized devices; i.e. a terminated employee could not log in from a personal cell phone or a home computer.

Recommendation is PERA implement a process to ensure that IT is aware of when a user is being terminated so that Active Directory Account can be disabled either on or before the termination date.

Management concurs with the recommendation and will have HR start sending help desk tickets when the employee leaves, or preferably before the employee leaves so that they have advance notice. They are also working on a checklist for managers when they leave to help assist in this process. Expected implementation by the end of fiscal year 2021.

Chair Roybal requested that the final day that the employee is at PERA be the day that access is terminated. Ms. Cait Gutierrez confirmed this as being recommended and implemented.

#### Observation 3: Checklist Function within Case Manager

Case Manager has this checklist ability within the system that indicates which required documents have been received for the retirement application process and also the date that they were received. It is a required function to be used for policy and procedure. Testing found 15 cases where the checklist was not utilized. In two of these cases, a document needed to substantiate benefit elections was not obtained before the completion of the application review stage. An additional 15 cases were found where the checklist was utilized but not updated after obtaining additional information.

Risk assessed at moderate, reduced from high, as the payroll group performs its own verification later on in the process, and the missing forms were obtained at that time, a control which helps to mitigate some of the risk.

Recommend that PERA implement a review of that checklist to ensure that required documents are present, and also recommend training over the use of the checklist function and a process be put in place to identify employees who are not using it so additional training can be conducted. Management concurs with the recommendation and will work on implementing training with staff to be completed by the end of fiscal year 2021.

#### ***Questions and feedback***

Ms. Naranjo Lopez enquired if there was a checklist that just wasn't being followed, specifically on direct deposit, expressing concern about why that process wasn't being done and stressed the importance that these corrections get done immediately.

Ms. Gutierrez explained that it was not that they weren't following a process or things weren't being done and highlighted that this is an extremely risky area with fraudulent requests. The audit merely highlighted areas of improvement in clarifying documentation of the review process. Ms. Gutierrez stressed the importance to ensure employees are aware of the review process and the required robust documentation to ensure potentially fraudulent requests can't get through.

Ms. Anna Williams outlined corrective action taken so far such as a memo regarding what to look for, policies and procedures for member services to follow. Training with staff will be completed.

Member Page enquired as to why the timeline for correction was extending to June. Ms. Williams explained that most recommendations have been implemented, with training lacking due to COVID restrictions. Case Manager recommendations have been implemented and Member services training will be done in the next month prior to the June target.

## **6. Adjournment**

Having completed the Agenda and with no further business to come before the Board, Mr. Dan Mayfield moved to adjourn. Chair Roybal declared the meeting adjourned.

Approved by:

David Roybal  
Chair, Audit & Budget Committee

ATTEST:

Greg Trujillo, Acting Executive Director

Exhibits attached