

**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:

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