

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
AUDIT & BUDGET
COMMITTEE MEETING
July 10, 2018

This meeting of the Public Employees Retirement Board Audit & Budget Committee was called to order by Board Chair James Maxon at approximately 10:10 a.m. on the above-cited date at the PERA Building, 33 Plaza la Prensa, Senator Fabian Chavez, Jr. Board Room, Santa Fe, New Mexico.

A quorum was established with the appointment of the following members present:

Members Present:

James Maxon [appointed]
Claudia Armijo
Dan Mayfield [appointed]
John Melia [appointed]

Member(s) Absent:

Jackie Kohlasch, Chair [excused]
Natalie Cordova, [excused]
Cathy Townes [excused]
Tim Eichenberg
Dan Esquibel

Other Member(s) Present:

None

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Greg Trujillo, Deputy Director/Chief Information Officer
Dominic Garcia, Chief Investment Officer
Karen Risku, Deputy General Counsel
Renada Peery-Galon, Administrator Services Director
Dana David, Assistant General Counsel
Trish Winter, Executive Assistant
Karyn Lujan, Smart Save Plan Manager
Christine Ortega, Portfolio Manager
Emily Lopez, Financial Specialist
Anna Williams, Chief Financial Officer

Others Present:

Paul Lium, Nationwide
Paul Cowie, Meketa
Abby Moser, REDW
Cait Gutierrez, REDW
Jessica Bundy, REDW

2. APPROVAL OF AGENDA

Mr. Mayfield moved to approve the agenda as presented. His motion was seconded by Ms. Armijo and passed by unanimous voice vote.

3. APPROVAL OF CONSENT AGENDA

Chair Maxon said he reviewed the minutes and found them accurate.

Mr. Mayfield moved to approve. Ms. Armijo seconded and the motion passed by unanimous voice vote.

4. CURRENT BUSINESS

A. Internal Audit – IT Audit

Anna Williams, Chief Financial Officer, introduced the REDW team who conducted the internal audits.

Abby Moser, REDW, reviewed the internal audit regarding information technology that was performed in February 2018. The audit reviewed the overall functions of IT, policies and procedures, applicable regulations, best practices and making sure that PERA's operations are in line with those elements. Staff was interviewed. The internal auditors tested internal controls and reviewed various internal audit reports to ensure efforts are not duplicated.

Ms. Moser identified the following focus areas: workstation security, user access, helpdesk response and resolution, segregation of duties, and business continuity plan/computer security incident response plan. She noted there was strong oversight in IT's governance area and good communication with management.

The audit determined that that many areas functioned properly and appear to have sufficient controls in place. For each of the indentified audit area risks, REDW provided recommendations to address the risk, and management has responded.

Ms. Moser indicated that the audit report is intended for the information and use of the PERA management and the Board. She said PERA management provided excellent cooperation and assistance during the course of the audit.

Mr. Mayfield asked whether PERA's staffing was adequate to address the concerns raised by the auditors. Greg Trujillo, Deputy Director/Chief Information Officer, said REDW recommended 34 policies that will be drafted with the assistance of the firm that conducts PERA's annual cyber security audit. He said many of the policies are part of IT's process but lack documentation. The business continuity plan and incident response plan have been finalized and approved. He assured the Committee that management has these items on the radar and are working to address them.

Staffing wise, Mr. Trujillo said a few vacancies were filled and IT is staffed at its highest level since he has been with the agency.

B. Internal Audit – Communications Audit

Jennifer Bundy, REDW, said that organization should document critical business processes and create policies and procedures to guide employees and to ensure continuity of operations in the event an individual assigned to a key role cannot perform their job responsibilities. Documented policies and procedures are important to ensure that critical business processes are performed consistently and help departments within the organization to communicate with each other. This audit focused on assessing critical business processes at PERA. That included an assessment of key roles within the critical business processes and evaluation if back-ups were assigned and cross-trained so that critical business processes could be continuously performed in the event of an unanticipated absence.

Ms. Bundy said management assisted in identifying what would be considered as critical business processes and obtained the policies and procedures and tested to determine if the processes were appropriately documented. Individuals assigned to key roles were identified and interviewed. All the key roles appear to have assigned back-up who were knowledgeable and received appropriate training.

Ms. Bundy reviewed REDW's observation that included records/imaging responsibilities require formal policies and procedures to clearly document the roles and responsibilities. Policies and procedures should be readily available and updated to ensure critical business processes are documented and performed consistently.

Management has responded that the observations will be reviewed and corrections implemented.

C. Internal Audit - Investment Audit

Cait Gutierrez, REDW, said the audit focused on determining whether selected investment reports provided to the public, management and the Board provided accurate and meaningful data in a timely and relevant manner in accordance with the objective of effective performance reporting. An assessment of the processes relating to the overall investment performance reporting function was conducted to determine if they were in compliance with overall policies and procedures, applicable regulations and sound internal controls. Manager objectives were tested to determine if they were adhering to the stated objectives in the investment contract.

Ms. Gutierrez said testing was conducted on the performance reporting timeliness, performance reporting accuracy, performance objectives consistency, return presentation consistency and performance reporting benchmarks.

The observations resulting from the audit included that the internally prepared executive summary did not agree with Wilshire flash report. Management responded that PERA will eliminate this report from the monthly deliverables that are provided to the Board. Staff finds that a manual replication of reporting is inefficient and will seek to utilize the audited information when reporting to the Board. In regard to process, REDW found a lack of performances reporting policies and procedures. Public reporting of performances were not uploaded on the website in a timely manner. Management responded that they are working on formal documentation internal policies and procedures which will address both items. Management also stated that monthly reporting does not provide meaningful information and quarterly reports are more beneficial.

Ms. Gutierrez said the investment team developed an excellent flow chart and packet that defines their internal deadlines and processes.

The committee thanked the auditors for their thorough review. Mr. Maxon appreciated that the agency is looking for opportunities for improvement. Reading from a prepared comment by Natalie Cordova, wherein she thanked the PERA staff for their hard work and commitment to the internal audit process and they should be commended for the undertaking of the internal audit which directly contributes to a better business process and ultimately benefits the membership.

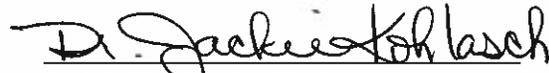
5. OTHER BUSINESS

None was presented.

6. ADJOURNMENT

Having completed the agenda, and upon motion and second, Mr. Maxon adjourned this meeting at approximately 10:50 a.m.

Approved by:


Jackie Kohlisch, Chair
Audit & Budget Committee

ATTEST:


Wayne Propst, Executive Director