

**AUDIT COMMITTEE MEETING MINUTES  
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)  
June 28, 2019**

The Tennessee Consolidated Retirement System (TCRS) Audit Committee for the Board of Trustees met on Friday, June 28, 2019. The meeting began at 8:00 a.m. in the Cordell Hull Building, Conference Room C.

The following members were present:

- Chairman Michael Barker
- Ed Taylor, TCRS Board Member
- Tre Hargett, Secretary of State
- Tim Ellis, Goodlettsville City Manager

Others present were:

- David H. Lillard, Jr., TN State Treasurer
- Earle Pierce, Director of Internal Audit, TN Dept. of Treasury
- Jennifer Selliers, Director of Internal Compliance, TN Dept. of Treasury
- Alison Cleaves, Assistant Treasurer, Legal, Compliance & Audit, TN Dept. of Treasury
- Jamie Wayman, Director of TCRS
- David Clock, ACL Auditor
- David Shipley, Internal Audit Data Analyst
- Allison Ullein, Internal Auditor I

### **Call Meeting to Order**

Chairman Barker called the meeting to order and welcomed Tim Ellis, Goodlettsville City Manager as a new member of the audit committee. Mr. Barker presented the minutes from the March 29, 2019 Audit Committee meeting for approval. Ed Taylor motioned to accept the minutes as presented and Tim Ellis seconded the motion. The minutes were unanimously approved from the March 2019 Audit Committee meeting.

### **Internal Audit Results**

Earle Pierce presented the final results for the 2018 GASB internal audit. Discussion included an explanation of audit objectives, issues and trends in the results over a three-year period. Secretary Hargett asked for some detail on the common exceptions. Mr. Pierce explained some of the exceptions were caused by the system misreporting members as either active when they are retired or vice versa, misapplication of COLA on retired/disabled members and data issues identified included over/understated member compensation issues in Concord. Jamie Wayman noted the compensations issues were not eligible for inclusion in the actuary calculations because the compensation had not been posted to the member accounts. Processes are in place now to identify members with passed/pending salary to eliminate these entries when the salary

has already posted for these members. Overall, the total exceptions were low ranging from .07% to .20% of the total results. Mr. Pierce informed the Committee the results will be shared with State Audit. He further explained the work Internal Audit does on this project provides costs savings to the Comptroller's office because they rely on the internal audit results at the plan level and do not have to perform these audits at the local level for all participating plan employers.

Mr. Pierce also reviewed data analytic audits for duplicate payments, duplicate persons and death overpayments. The review included discussion of the project charts illustrating the results and efforts by TCRS to collect overpayments. For duplicate payments, Jamie Wayman explained members look to TCRS for their benefit amounts and do not realize they may be receiving a duplicate benefit. Mr. Wayman provided further detail on the different circumstances which occur depending on whether it has been three or more years between when a member returns to work and then retires again. The Concord system will re-start a member's original benefit if it has been less than three years. Mr. Wayman asked for clarification on the charts for the months or quarters with no results. Mr. Pierce explained for the months or quarters with no results posted, in most cases, those are months where there were no exceptions. In other cases, the results may have not been finalized for inclusion in the charts.

### **Current Projects for TCRS**

Mr. Pierce reviewed a list of current TCRS audit projects as well as those in the planning phase.

### **Fiscal Year 2019 Annual Audit Report and Fiscal Year 2020 Audit Plan**

Mr. Pierce reviewed Internal Audit's annual report of audit work completed in fiscal year 2019 and the fiscal year 2020 audit plan. This included a discussion of the high and moderate risk audits outlined in the 2020 plan. Mr. Pierce introduced current and new audit staff to the committee and briefly discussed their backgrounds.

### **Overpayments Identified in 2018**

Mr. Pierce informed the Committee of a list benefit overpayments identified by TCRS management in 2018. TCRS Director Jamie Wayman provided background on the genesis of each overpayment as well as TCRS's efforts to obtain repayments. Two of the overpayments were the result of staff processing errors while using previous computer systems. The current Concord system is programmed so, if the original beneficiary is changed, the new beneficiary is only entitled to receive the deceased, retired member's last monthly payment. Continuing benefit payments will not occur. This system feature has been tested several times.

### **Comptroller's Hotline**

Mr. Pierce informed the Committee there were no hotline submissions related to TCRS received by the Comptroller's office since the previous Audit Committee meeting in March 2019.

## **Current Internal Audit Article**

Mr. Pierce discussed the article entitled "The 5 C's That Should Be Keeping Boards (and Auditors) Awake at Night". Mr. Pierce summarized the five areas for the committee. Mr. Taylor spoke about the issue of cybersecurity and its impact on all organizations. Mr. Pierce mentioned TCRS's efforts to implement multifactor authentication for mytcrs.com. Mr. Wayman provided some additional details and benefits of the project to the Committee. Mr. Taylor spoke about the system in place at the University of Tennessee.

## **Other Business**

Treasurer Lillard spoke about implementation of the Concord system starting in 2009. This includes challenges of using it to support the hybrid plan. Mr. Wayman and Treasurer spoke about the latest system build and the functionality now available to support the retirement system. Mr. Wayman estimated the system is now approximately 98% functional. Treasurer mentioned the issues with human error and efforts underway to automate as many retirement functions as possible. This includes engaging TCRS's vendor Deloitte to assist with this automation initiative. Treasurer Lillard referenced the earlier discussion on overpayments noting the audit processes in place now, along with efforts in Financial Strategies, resulted in discovery of the overpayments. He mentioned more errors may be discovered in the future as a result of these data analytic processes. Chairman Barker noted the previous computer systems and the leadership of Mr. Wayman and TCRS to continue to work on modernizing systems for better results. Treasurer Lillard seconded Chairman Barker's comments noting the changes and improvements in Internal Audit since he started in 2009 including their expanded scope of work. Treasurer Lillard briefly discussed a Pew Charitable Trust article he shared with the Committee noting Tennessee as one of three of the best funded pension plans in the country.

## **Adjournment**

Secretary Hargett motioned to adjourn and Tim Ellis seconded the motion. The motion to adjourn was unanimously approved. The meeting adjourned at approximately 8:52 a.m.

## **Meeting minutes documented by**

Earle Pierce, CPA, CIA, CRMA  
Director of Internal Audit  
Tennessee Department of Treasury

## **Approved by:**



Michael Barker  
Chairman of the Audit Committee

