

**AUDIT COMMITTEE MEETING MINUTES  
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)  
September 26, 2019**

The Tennessee Consolidated Retirement System (TCRS) Audit Committee for the Board of Trustees met on Thursday, September 26, 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
- Juan Williams, DOHR Commissioner
- 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
- Heather Iverson, Director of Treasury Legal Services
- Lauren L. Topping, Asst. General Counsel, Secretary of State's Office

**Call Meeting to Order**

Chairman Barker called the meeting to order and welcomed DOHR Commissioner Juan Williams as a new member of the audit committee. Commissioner Williams provided the Committee with a short summary of his background per Chairman Barker's request. Chairman Barker presented the minutes from the June 28, 2019 Audit Committee meeting for approval. Tim Ellis motioned to accept the minutes as presented and Chairman Barker seconded the motion. The minutes were unanimously approved from the June 2019 Audit Committee meeting.

**Internal Audit Results**

Earle Pierce presented the final results for the 2018 GASB Census Data Project. Discussion included an explanation of audit objectives for the joint project between Internal Audit and Employer Reporting as well as issues in salary data for various employers. Mr. Pierce explained the purpose of the project was to independently verify census data submitted to the actuary by TCRS as required by GASB 68 standards. Chairman Barker asked if the salary reporting issues had to do with employer staff turnover and Mr. Pierce stated payroll staff turnover at the employers may have contributed to some of the reporting errors. Follow up audit results for the 2018 Investment Incentives Compensation Review and 2016 Private Equity were discussed by Mr.

Pierce with the Committee. Mr. Pierce explained the reason for follow up audits is to ensure management action plans to address audit recommendations have been implemented and for Internal Audit to report the outcomes providing the Audit Committee assurance management's action plans were implemented and associated risks mitigated.

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. TCRS Director, Jamie Wayman informed the Committee of an RFP they have initiated to find a new vendor to provide death notifications services. Chairman Barker asked what process TCRS follows to prevent overpayments for members dying during the month. Mr. Wayman explained members are allowed to keep their benefit payment in the month of their death per State law and the focus of TCRS's efforts are to prevent any payments in the month after death.

### **Current Projects for TCRS**

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

### **FY2019 Internal Audit Risk & Controls Assessment**

Mr. Pierce reviewed the results of Internal Audit's project to address areas of improvement in Internal Audit's operations as a result of its most recent risk assessment. He covered a report of areas where improvements were implemented as well as a report on Internal Audit's controls and assessment of the effectiveness of those controls. He noted the assessments covered the areas of audit management, project management, staff management and vendor management.

### **Comptroller's Hotline**

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

### **Current Internal Audit Article**

Mr. Pierce discussed the article entitled "Good Governance Key to Managing Speed of Change". Mr. Pierce summarized the article for the Committee discussing areas regarding organizational culture, the speed of disruptive innovations and existing operations ability to meet performance expectations. Mr. Pierce also highlighted areas of audit focus including audits of internal reporting systems, audits of regulatory change management systems as well as discussions with the Audit Committee and external auditors.

## **Other Business**

Chairman Barker commented on the amount of information provided in the reports on a continual basis and the hard work of the audit team. Mr. Pierce stated his appreciation of Jamie and his staff as well as the efforts of Internal Audit staff with oversight from Assistant Director Kevin Gentry to produce the results in the reports provided to the Audit Committee.

Treasurer Lillard noted his appreciation of the efforts of everyone including those on the audit team. He stated Treasury continues to put more resources into internal controls. Treasurer Lillard also suggested members of Financial Empower and Deferred Compensation come to a future meeting to provide more detail on the census data issues noted in the report from Internal Audit today as well as other areas they are working to resolve regarding employer reporting.

## **Adjournment**

Tim Ellis motioned to adjourn and Juan Williams seconded the motion. The motion to adjourn was unanimously approved. The meeting adjourned at approximately 8:37 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