



**SERS Retirement Board Audit Committee Agenda
Regular Meeting
December 15, 2021
2:30 P.M.**

Click Link to Join Zoom Meeting

<https://ohsers.zoom.us/j/96333165200?pwd=djE5QTFyZ0diVUx6SUg2K25CcEFldz09>

Meeting ID: **963 3316 5200**

Password: **383782**

To join by phone, dial: (929) 205-6099 and enter the meeting ID: **963 3316 5200** and password **383782** when prompted.

1. Roll call (R)
2. Approval of **September 16, 2021** minutes (R)
3. Review External Auditor's Financial Statement Reports, Significant Results, and Recommendations
4. Review Management Representation Letter on Internal Controls and Financial Reporting
5. Review Status of Legal Matters Effect on Financial Statements
6. Chief Audit Officer's Report
 - o Q2 Update on the FY2022 Audit Plan
 - o ORSC Annual Audit Committee Report
 - o Recently Completed Audits, Other Activities
7. Executive session pursuant to R.C. 121.22 (G) (1) to consider the employment of a public employee (R)
8. Audit Committee Requests and Follow-Up Items
9. Adjournment

ITEM 1.

SCHOOL EMPLOYEES RETIREMENT SYSTEM

AUDIT COMMITTEE

December 15, 2021

2:30 P.M.

Roll Call:

Barbra Phillips	_____
Catherine Moss	_____
James Rossler	_____

Guests in Attendance:

ITEM 2R.

**APPROVAL OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
September 15, 2021**

_____ moved and _____ seconded the motion to approve the minutes of the Audit Committee meeting held on September 15, 2021.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Barbra Phillips	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____

School Employees Retirement System		AUDIT COMMITTEE MINUTES	
Preparer	Vatina Gray	Meeting Date:	September 15, 2021
Committee Chair	Barbra Phillips	Committee roll call was as follows: Catherine Moss and James Rossler Absent: Barbra Phillips Guests in Attendance: None Also in Attendance: Sam Peppers, Representative of the Attorney General SERS Staff Members: Jeff Davis, Tracy Valentino, Joe Marotta, Richard Stensrud, Karen Roggenkamp, Vatina Gray and other members of the public.	
Agenda	<ol style="list-style-type: none"> 1. Roll call (R) 2. Approval of June 16, 2021 minutes (R) 3. FY21 External Audit Update 4. Chief Audit Officer's Report <ul style="list-style-type: none"> o Q1 Update on the FY2022 Audit Plan o Quality Assessment Review o Recently Completed Audits and Other Activities 5. Executive session pursuant to R.C. 121.22 (G) (1) to consider the employment and compensation of a public employee (R) 6. Audit committee requests and follow-up items 7. Adjournment 		
Discussion	<p>The meeting began in open session at 2:30 p.m.</p> <p><u>Roll Call</u> The SERS regular Audit committee began with a roll call. The committee roll call was as follows: Catherine Moss and James Rossler. Absent: Barbra Phillips. Also in attendance was Sam Peppers, Representative of the Attorney General, SERS Staff Members: Jeff Davis, Joe Marotta, Richard Stensrud, Karen Roggenkamp, Vatina Gray, and other members of the public.</p> <p><u>Approval of Minutes</u> Catherine Moss moved and James Rossler seconded the motion to approve the minutes of the Audit Committee meeting held on June 16, 2021. Upon roll call, the vote was as follows: Yea: Catherine Moss and James Rossler. Absent: Barbra Phillips. The motion carried.</p> <p><u>External Audit Update</u> Tracy Valentino, SERS Chief Financial Officer, opened the presentations with a report on the external audit. The external audit has been focused on the balance sheets. Ms. Valentin expects to release the external audit in November or December 2021. The plan is to present findings at the December 2021 board meeting.</p> <p>Ms. Valentino reported the audit is going well and is happening mostly remotely. Two auditors were granted limited access and came on-site to pull files themselves. Last year, due to Covid, SERS staff had to pull files and send to the external auditors. This year, they came in following SERS protocols and were on-sit for one week.</p>		

	<p>Ms. Valentino reported the arrangement letter (engagement letter) is still outstanding. It's still being worked on with SERS legal and RSM. This is nothing problematic and the letter will be done soon.</p> <p>Ms. Valentino stated the Auditor of State notified SERS that there is no requirement to file separate investment reports for the state. SERS must still complete the work but no submission to the state is required. This will save SERS money with the amount to be determined soon.</p> <p>Ms. Valentino assured the committee that the auditors had the full access they needed even during the remote audit, but they will return onsite soon.</p> <p>Richard Stensrud, SERS Executive Director, stated the auditors took a deeper look at the SERS actuaries. The auditor's job is to look at the assumptions and confirm the results of the actuary studies are reliable. Not every pension system does this deep review. SERS' audit firm, RSM, has an on-staff actuary that reviews actuarial assumptions every year. The actuary and the auditor challenge each other which is a positive thing.</p> <p>Ms. Valentino reported this is RSM's ninth year working with SERS and their ten-year contract term is ending soon. RSM originally received a 5-year contract and one option to renew. The auditor of state will issue an RFP on SERS behalf and SERS will have a new external auditor next year. The committee thanked Ms. Valentino for her report.</p> <p><u>Chief Audit Officers Report</u></p> <p>FY2022 Internal Audit Plan Status: See presentation. Jeff Davis, Chief Audit Officer reported items related to the SERS internal audits are ongoing and going well. Mr. Davis also reported the IT audit has been outsourced while other aspects are pending. Overall, the SERS Audit Plan is off and running and Mr. Davis will try to add an audit later in the fiscal year, if possible.</p> <p>Mr. Davis also reported on the Quality Assurance & Improvement program. The ultimate goal of this program is to ensure quality and includes internal and external assessments of the Audit department. This program was last reviewed in 2017.</p> <p>Mr. Davis also performed a self-assessment which included a comprehensive self-review and ongoing monitoring of hours spent by auditor to perform audits. The periodic self-assessments have required no revisions and the process is ongoing. Mr. Davis stated the importance of remaining independent according to Institute of Internal Auditors (IIA) standards. Mr. Davis reported this independence is critical and must be documented. Independence will be reviewed annually. After further discussion, the committee thanked Mr. Davis for his report and hard work.</p> <p><u>Executive session pursuant to R.C. 121.22 (G) (6) to discuss the employment and compensation of a public employee (R)</u></p> <p>At 2:50 p.m. Catherine Moss moved and James Rossler seconded the motion that the Audit Committee convene in Executive Session pursuant to R.C. 121.22 (G) (6) to discuss the employment and compensation of a public employee. Upon roll call, the vote was as follows: Yea: Catherine Moss and James Rossler. Absent: Barbara Phillips. The motion carried.</p> <p>The committee returned to open session at 3:00 p.m.</p>
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	<u>Audit Committee Requests and Follow Up Items</u> There were no requests or follow up items discussed. The meeting adjourned at 3:01 p.m.		
	Action Items	Assigned Person	Due Date
Action Items	n/a		
Agenda for Next Meeting			

DRAFT

External Audit Update



Management Representation Letter



Status of Legal Matters Effect on Financial Statements





Internal Audit Update

December 2021

Jeff Davis, CAO – Internal Audit

Agenda



- Status of FY22 Internal Audit Plan
- ORSC Annual Audit Report
- Recently completed audits and Other Activities

FY22 Audit Plan Status



Internal Audit Update – December 2021



FY22 Audit Plan Status:

Engagement	Type	Status	Comments
Undue Influence (August 2021)	Audit	Completed	Annual Compliance Audit
Investment Incentive Comp. (August 2021)	Audit	Completed	Annual Compliance Audit
Internal Quality Assessment Review (August 2021)	Administrative	Completed	Quality Assurance and Improvement Program
Conflict of Interest (October 2021)	Audit	Completed	Annual Compliance Audit
Death Benefits (December 2021)	Audit	Completed	
Retiree Accounting	Audit	In Progress	
Outsourced IT Review – Office 365	Audit	In Progress	
Board Governance	Consulting	In Progress	Annual Activities for Ohio Retirement Study Council - Required by March 31 st
Payment Processing	Audit	Pending	

Internal Audit Update – December 2021



FY22 Audit Plan Status (Continued):

Engagement	Type	Status	Comments
Health Care Fund Revenue – Premiums, Rebates, and Funding Allocation	Consulting	Pending	Consult with management on Direct Pay Project
Member Account Maintenance	Audit	Pending	
Health Care Services	Consulting	Pending	Biennial outsourced audit of health care benefits
Employer Reporting	Consulting	Pending	
Unitized Accounting Practices	Consulting	Pending	
Continuous Auditing	Audit	In Progress	
FY23 Internal Audit Plan	Administrative	Pending	Planning related to FY23 plan

Ohio Retirement Study Council Annual Report



- Draft 2021 SERS Annual Audit Report
 - Report will be finalized at the end of December
- Report required to be filed by March 2022

ORSC Annual Report: Closed Audits - Recommendations



Audit Area	Risk Rating	Scope	Recommendations	Mgmt.'s Response	Implemented	Implementation or Target Implementation
Processing and Payment of Refunds (March 2021)	Low	<p><u>Member Services</u></p> <p>Ensure the member refund process is properly designed and consistently processed in accordance with SERS' policy and procedures and adheres to legal requirements that govern refunds. Review includes:</p> <ul style="list-style-type: none"> • Evaluation of refund requests • Monitoring of members near refund eligibility • Supervisor/audit review processes • Payment/reporting processes • Communication • Required Minimum Distribution 	Consider transitioning member refunds to direct deposit rather than mailing refund checks to members.	Preliminary discussions regarding design and identify resources needed to complete initiative have been held.	No	
<p><u>Comments:</u> Controls for processing and payment of refunds were operating effectively to achieve business objectives.</p>						

¹¹ Risk Rating Levels:
 High: Requires immediate attention and remediation.
 Moderate (Mod.): Requires near-term attention.
 Low: Improvements possible but does not require attention in immediate or near-term.

ORSC Annual Report – Closed Audits: Recommendations (cont.)



Audit Area	Risk Rating	Scope	Recommendations	Mgmt.'s Response	Implemented	Implementation or Target Implementation
Death Benefits (December 2021)	Mod	<p><u>Death Benefits</u> Ensure death benefit processes are properly designed and operating effectively in accordance with SERS' policy and procedures and adheres to legal requirements. Review includes:</p> <ul style="list-style-type: none"> • Application and eligibility • Death Match notification and processing • Benefit calculation and payment • Monitoring • Communication 	Sensitive data should be protected by ensuring that key contract requirements are completed.			
<p><u>Comments:</u> Controls related to Death Benefit processing were operating effectively to achieve business objectives.</p>						

¹¹ Risk Rating Levels:
 High: Requires immediate attention and remediation.
 Moderate (Mod.): Requires near-term attention.
 Low: Improvements possible but does not require attention in immediate or near-term.

ORSC Annual Report: Closed Audit – No Recommendations

Audit Area	Risk Rating	Scope	Management's Response
Payroll (January 2021)	Low	<u>Administrative Services</u> Ensure that payroll processes are properly designed and consistently applied in accordance with SERS' policy and procedures and adheres to legal requirements.	Not applicable.
		Comments: Controls for payroll processing were operating effectively to achieve business objectives.	
Capital Calls and Distributions (July 2021)	Low	<u>Investments Department/Finance/ERM</u> Ensure that the capital calls and distributions process is properly designed and consistently processed in accordance with SERS' policy and procedure.	Not applicable.
		Comments: Controls for the capital calls and distribution process were operating effectively to achieve the business objectives.	
Undue Influence (August 2021)	Low	<u>All Departments</u> Independently verify key SERS staff performed their job duties in good faith according to SERS' policies and reaffirm no one had attempted to coerce their work or influence their job performance.	Not applicable.
		Comments: The CAO and Chief Risk Officer reviewed the submitted undue influence forms and determined they were properly filed with no instances reported on the 27 forms submitted.	
Investment Incentive Compensation Review (August 2021)	Low	<u>Investments Department and Enterprise Risk Management</u> Evaluate controls and payments associated with the FY2021 Investment Incentive Compensation Plan.	Not applicable
		Comments: The investment incentive plan appears supportive of the Board's intent to reinforce a performance philosophy to attract and retain high-quality talent within Investments. The Chief Risk Officer was effective in completing the calculations in an accurate manner with supporting documentation. There were no calculation errors identified during testing.	

ORSC Annual Report: Closed Audits - No Recommendations (cont.) & Active Audits



Audit Area	Risk Rating	Scope	Management's Response
Conflicts of Interest Compliance Review (October 2021)	Low	<p><u>Investments Department and Investment Compliance</u> Review disclosures by Investments staff and external investment service providers for conflicts of interest compliance. Review included:</p> <ul style="list-style-type: none"> • Investment staff certification • Financial Disclosure Statement • Professional Conduct Statement • Investment Manager Agreement • Required Annual Disclosure Form 	Not applicable.
Comments: Reviewed SERS' Investments staff disclosures and external investment service providers without any exceptions noted.			

Audit Area	Risk Rating	Scope	Target Completion
Retiree Accounting	Low	Assessment of the design and effectiveness of key controls and compliance with laws and regulations related to payroll processing.	February 2022
Microsoft Office 365 Security Review	Mod	Outsourced security review of Microsoft Office 365.	May 2022

ORSC Annual Report: Other Audit Related Activity



Area	Risk Rating	Subject/ Project	Description
Disaster Recovery/ Cloud Migration	Mod	Disaster Recovery	The CAO provided consulting services related to ongoing assessment of disaster recovery/cloud migration. This is a continuation of a process that began with an outsourced review managed by Internal Audit of SERS' disaster recovery/cloud migration strategies.
Pharmacy Audit	Mod	Benefits	SERS engaged Sagebrush Analytic Solutions LLC to conduct bi-annual audits of its pharmacy benefit manager to determine overall claims processing accuracy and efficiency and to identify opportunities for improved administration. Internal Audit provided consulting services related to the audit.
Risk Management	N/A	Strategic Plan	Internal Audit provided ongoing consulting into the development and implementation of SERS' risk management program and practices, as identified in audit reports and SERS' FY2020-24 Strategic Plan.
External Audit	N/A	Financial Statements	External auditors provided all required written communication and verbal updates on the audit of the annual financial statements to the Audit Committee and Board.
Committee Report	N/A	CY2020 Annual Report	Pursuant to R.C. 3309.044, a report of actions taken by the Audit Committee of the SERS' Retirement Board for calendar year 2020 was submitted on December 21, 2020.
Internal Audit Annual Plan	N/A	FY2022 Plan	The FY22 Internal Audit Plan was approved by the SERS Audit Committee on June 16, 2021.
Merit Increases	Low	Payroll	Reviewed annual merit increases.
Employer Reporting	Low	Finance	Reviewed surcharge calculations.
Comment Remediation	N/A	Issued Audit Comments	Performed audit remediation activities involving internal, external, and other audit comments.
Financial Reporting	N/A	Financial Statement Controls	The Chief Financial Officer regularly provides updates to the Committee on financial reporting processes, changes in accounting and financial reporting standards, comprehensive annual financial report overview, processes in place to limit material control weaknesses and fraud, and periodic updates on activities involving external auditors or other oversight entities.
Internal Audit Operations	N/A	Internal Audit Quality Assurance	Internal Audit consists of one employee, a Chief Audit Officer (CAO). The CAO continues to maintain quality within audit practices to maintain conformance with IIA <i>Standards</i> . Audit activities include: <ul style="list-style-type: none"> • Updated Internal Audit Operations Manual, Audit Committee and Internal Audit Charters, and standard work paper forms. • Completed CAO annual goals aimed at improving audit effectiveness, plan completion, coordination, and collaboration. • The CAO performed a comprehensive self-assessment of internal audit operations.

Recently Completed Audits and Other Activities



- Two audits completed since the last committee meeting
 - Investment Conflict of Interest and Death Benefits reports are attached.
- Continued involvement with disaster recovery/cloud migration
- Review of FY22 Merit Increases
- Review of Surcharge calculation
- Review of Superannuation Board Report



Q & A

ITEM 7.

EXECUTIVE SESSION

_____ moved and _____ seconded the motion that the Audit Committee convene in Executive Session pursuant to R.C. 121.22 (G)(1) to consider the employment of a public employee.

IN EXECUTIVE SESSION AT _____ A.M./P.M.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Barbra Phillips	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____

Return to Open Session _____ A.M. / P.M.

ITEM 9.

SCHOOL EMPLOYEES RETIREMENT SYSTEM

AUDIT COMMITTEE

December 15, 2021

Adjournment at _____ P.M.



Internal Audit Department

To: SERS Audit Committee, Board of Trustees

cc: Richard Stensrud, Executive Director
Karen Roggenkamp, Deputy Executive Director
Farouki Majeed, Chief Investment Officer
Terri Martin, Investment Operations Manager
Joe Bell, Chief Risk Officer
Katie Bloomfield, Investment Compliance Analyst
Joe Marotta, General Counsel

From: Jeff Davis, Chief Audit Officer

Date: October 19, 2021

Re: 2021 Investment Conflicts of Interest - Compliance Review

Background

It is imperative that investment information, advice provided by investment staff, and implementation of investment decisions by the SERS investment staff and investment service providers are not impaired by conflicts of interest. Investment operations should be conducted in a manner that fosters public confidence in the integrity of SERS, its processes, and its work.

Funston Advisory Services issued a report based on their fiduciary review of SERS' Investment Operations. Included was a recommendation to:

- Establish a process within SERS to ensure staff investment filings are subject to a substantive review upon receipt each year in order to identify any activity that should generate further inquiry or follow-up.

The report further noted the substance of the filings is not reviewed for potential violations so that SERS is made aware of potential compliance issues in a timely manner.

Investment staff are required to annually file a financial disclosure statement with the Ohio Ethics Commission. The Investment Oversight Policy and Procedure also requires investment staff to file their annual reports with SERS.

In conformance with the Investment Oversight Policy and Procedure, Internal Audit conducted an annual compliance review of the Investment Staff's conflicts of interest disclosures. This independent review helped evaluate the Investment Department's procedures to safeguard against potential conflicts of interest involving investment



Internal Audit Department

Attachment A

staff and investment service providers. This audit also reviewed the Investment Compliance Division's controls for monitoring external investment service providers.

The Chief Investment Officer (CIO) is responsible for implementing procedures and annually reviewing the adequacy of those procedures to ensure investment staff and investment service providers comply with applicable federal laws, state laws and SERS policies and procedures. Investment procedures provide guidance to staff on disclosure requirements to assist the CIO in evaluating compliance. Investment staff shall annually file a report for the CIO's review that consists of the following:

- a. Annual Investment Staff Certification (INV-7007)
- b. Financial Disclosure Statement filed with the Ohio Ethics Commission
- c. Professional Conduct Statement filed with CFA Institute

Investment staff and the CIO shall file such reports with the Chief Audit Officer (CAO). The CIO's reports shall be reviewed by the CAO and the Executive Director.

External investment service providers must also adhere to conflicts of interest requirements, including:

- I. Investment Manager Agreement (IMA) or side letter contract requirements
- II. Required Annual Disclosure (RAD) forms for investment managers - monitored by Investment Compliance Division
- III. Periodic monitoring by the Investment Accounting Division and Investments Department staff

Internal Audit performed testing on the RAD forms and did not test the IMA agreements/side letters or site monitoring results.

Scope and Objectives

The purpose of this review is to independently verify all SERS Investment professional staff and investment service providers are in compliance with federal and state laws, applicable SERS policies and procedures, and professional codes of conduct related to the performance of their investment duties.

This review is an annual project based on the FY2022 audit plan. The time period examined for Investment staff was FY2021 (July 2020 – June 2021). The period reviewed for investment service providers: public managers and vendors - January 1 through December 31, 2020, and private managers - April 1, 2020 through March 31, 2021.

SERS' Investment staff completed all forms and submitted them to the Chief Audit Officer on June 24, 2021. SERS' investment service providers submitted their RAD



Internal Audit Department

Attachment A

forms for both public and private managers and vendors to the Investment Compliance Analyst.

Procedures

Annually, the SERS Investment staff files a report consisting of the following documents. A description of the documents contained in the report and the audit procedure used to evaluate staff's compliance are included.

a. Annual Investment Staff Certification (INV-7007)

Description: Each Investment staff member must sign and notarize, certifying they are in compliance with federal and state laws, SERS policies and procedures, and professional codes of conduct.

Audit Procedure: The CAO reviewed all notarized investment staff certification forms. All investment staff members attested to their compliance with federal and state laws pertaining to investment work, SERS policies and procedures, and professional codes of conduct.

b. Financial Disclosure Statement filed with the Ohio Ethics Commission

Description: This form is signed by each investment staff member listing income sources, gifts, family members, investments, creditors, and travel expenses.

Audit Procedure: The CAO reviewed all financial disclosure forms focusing on potential conflicts via other sources of income/investments. If other income sources were listed, the source was reviewed for a potential conflict of interest to the staff member's job performance. Any questions were satisfactorily addressed by Investments' employees.

c. Professional Conduct Statements filed with the Chartered Financial Analyst (CFA) for all Investments staff and Chartered Alternative Investment Analyst (CAIA) for one Investment staff member.

Description: An annual professional conduct statement is issued by the CFA Institute and CAIA Association. In order to maintain membership as a CFA, investment staff must certify in the last two years:

- They are not the subject of a written complaint regarding their professional conduct in either a direct or supervisory capacity;
- They have not been the subject of, a defendant in, or respondent to any investigation, civil litigation, arbitration, or other action or proceeding in which their professional conduct, in either a direct or supervisory capacity, was at issue;
- They have not been temporarily or permanently suspended, barred, banned, or otherwise been prevented from: (i) working or participating in the securities industry; (ii) trading on any securities or contract



Internal Audit Department

Attachment A

- market; (iii) acting as a broker, dealer, investment advisor, or other person required to register under any law or regulation; or (iv) acting as an employee; registered representative; or affiliated person of any entity required to register or be licensed under any law or regulation;
- They have not been found to have aided, abetted, counseled, commanded, induced, or procured the violation of any securities- or commodities-related law, regulation or rule; and
 - They have not been convicted of or pled guilty to: (i) any crime defined as a felony or punishable by more than one year in prison (regardless of the sentence actually imposed), or (ii) any crime involving moral turpitude (fraud, lying, cheating, stealing, or other dishonest conduct) or any substantially equivalent crime in any court of law.

Audit Procedure: Internal Audit viewed the CFA website to verify the types of professional conduct that constitute a violation. All Investments staff filings indicated there were no violations of professional conduct with the required certifications. Internal Audit confirmed with the CFA Institute the Investments staff do not have any public disciplinary sanction history and remain in good standing with the CFA Institute.

d. Required Annual Disclosure (RAD) forms from Investment Service Providers

Description: Contracts require external investment service providers to annually certify, via the RAD forms, whether any actual, potential, or perceived conflicts of interest exist. SERS' Investment Compliance Analyst maintains control over the mailing, receipt, review, and follow-up processes involving the RAD forms for 103 investment service providers (52 public managers and vendors; 51 private managers).

Audit Procedure: Internal Audit met with the Investment Compliance Analyst to confirm the process for monitoring RAD forms. Internal Audit reviewed the process and sampled five RAD forms to ensure:

- Policies and procedures exist to govern the RAD process;
- All investment service providers received and submitted RAD forms;
- Submitted RAD forms contained timely and sufficient evidence of review and monitoring by the Investment Compliance Analyst; and
- An annual memo summarizing the results was issued to individuals with governance responsibilities.

Sufficient policies document the Investment Manager Annual Disclosure process. Nearly all RAD forms for FY20-21 were submitted at the time of this audit and those tested were properly reported and did not identify any potential conflicts of interest. The Investment Compliance Analyst provided adequate evidence of review of the 2020-21 RAD forms and effectively



Internal Audit Department

Attachment A

reported the results in an annual memo to the CIO and Executive Director September 30, 2020.

Observations

Observations regarding the process, interview, and test results:

- **Contract Requirements:** Conflicts of interest language appears to be effective and consistently applied to new and existing contracts.
- **Investment Manager Agreement:** Contract terms and form contains sufficient requirements defining conflicts of interest circumstances and notification protocol for violations.
- **Required Annual Disclosure Form:** Requesting and tracking process for RAD forms appears to be well-developed, consistently submitted, and effective in identifying and addressing potential conflicts of interest.
- **Policies and Procedures:** Detailed operating procedures adequately define the investment manager annual disclosure process and controls. The Investment Compliance Analyst verifies information received from investment service providers is consistent with data reported to the SEC or other SERS-internally generated information.
- **Communication:** Required Annual Disclosure forms may contain confidential records. The Investment Compliance Analyst's communication to investment managers provides varied levels of secure transmission depending on the client's preference.
- **Reporting:** The *Annual Disclosures of Conflicts of Interest by Investment Managers and Vendors* memo was completed September 30, 2020. Any issues during the year are communicated in real time to the CIO and/or the responsible SERS' investment manager.
- **Documentary Evidence:** A spreadsheet is used to document and track the receipt of all RAD forms and resolution of any potential conflicts of interest reported by investment service providers. Documentation evidencing management's review and resolution of reported matters was adequately prepared for 2020-21.

Conclusion

Overall, the Investments conflict of interest process appears to be well-controlled with no disclosed instances of noncompliance. Report disclosures were complete and timely with no conflicts reported. The Investments Operations Manager maintains very detailed and complete records and tracking spreadsheets. The Investment staff certification process is working as originally stated.



Internal Audit Department

Attachment A

For external investment service providers, the Investment Compliance Analyst has effectively implemented processes to request, track and report conflicts of interest. The RAD forms appear to be well-developed, consistently submitted, and effective in identifying and addressing potential conflicts of interest.

Please contact me if you have any questions regarding this compliance report.