

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

AUDIT COMMITTEE MEETING

April 13, 2020

AGENDA

COVID-19 UPDATE

Following the recommendations from the Centers for Disease Control and Prevention (CDC), to limit gatherings of people, as well as federal and state emergency declarations related to COVID-19, **physical attendance in the Board of Trustee Boardroom at 3010 E. Camelback Road, Phoenix, AZ 85016 will be limited to members of the Audit Committee and necessary staff only.** Some members of the Audit Committee and staff may attend electronically.

A **copy of the agenda** for the meeting will be posted on the PSPRS website at least twenty-four hours in advance of the meeting. **To view the final agenda** and or public meeting materials visit <http://www.psprs.com/about/board-of-trustees>, by scrolling to Board of Trustee Meetings, selecting “Audit Committee Agendas” or “Audit Committee Meeting Materials” in the box, and selecting the appropriate meeting date. The agenda is subject to revision up to 24 hours prior to the meeting.

LIVE PSPRS Public Meeting Web stream: <http://www.psprs.com/about/board-of-trustees>

Interested members of the public and stakeholders may submit comments on any item on the April 13, 2020 Audit Committee meeting.

Submit an online public comment on Agenda Items to: PSPRSBoardMeetings@psprs.com

**Media Contact or Agenda Materials: Christian Palmer, Communications Director
(cpalmer@psprs.com)**

Meeting will begin at 10:00 a.m. and continue until 11:00 a.m. or until the matters set forth in this agenda are otherwise addressed. Members of the Audit Committee will attend either in person or by telephonic conference call. The Audit Committee may vote to hold an executive session, which will not be open to the public, to discuss certain matters. The Audit Committee reserves the right to consider agenda items out of their listed order. One or more members of the Board of Trustees of the Public Safety Personnel Retirement System who are not members of the Audit Committee might be present for purposes of auditing the Audit Committee meeting, but are not allowed to participate in the meeting or take part in the Audit Committee.

1. Call to Order; Pledge of Allegiance; Roll Call; Opening remarks.

*Mr. Jim Ameduri
Committee Chairman*

2. Call to the Public.

This is the time for the public to comment. Members of the Committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01 (H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for a later date for further consideration and possible recommendations to the Board of Trustees.

3. Review and discussion of responses to RFP for external auditor and possible **Recommendations** to Board of Trustees as to same.

*Mr. Michael Townsend
Administrator*

4. Update, discussion and possible **Recommendations** regarding Administrator update with respect to each of the following pertaining to the Accounting functions:

Mr. Michael Townsend

a. Recruitments.

b. Cancer Insurance Program CAFR.

c. FY2020 data analytics and review of processes.

d. Compliance.

i. HIPPA

e. IT security.

5. Update, discussion and possible **Recommendation** regarding the Auditor General State Board Member Per Diem Compensation and Expense Reimbursements Annual Review.

Mr. Michael Townsend

6. **The Committee may vote to go into Executive Session (which will not be open to the public) to discuss matters pursuant to A.R.S. §§ 38-431.03(A)(1), (2), (3), and (4), as applicable, including to receive legal advice from the Board's attorneys on any matter listed on the agenda, including:**

a. Discussion and legal advice regarding responses to RFP for external auditor.

7. Schedule future meeting date(s). (No future meetings currently scheduled.)

8. Adjournment.

Members of the Board of Trustees who are non-members may audit the meeting at their discretion but are not permitted to participate in the Audit Committee's discussions or deliberations.

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Claudia Martinez, Executive Assistant, or Cheryl Cohen, Executive Assistant, at (602) 255-5575. Requests should be made as early as possible to arrange the accommodation.



HIPAA COMPLIANCE PROGRAM OVERVIEW

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)

TIM JACKSON – COMPLIANCE OFFICER – ADMINISTRATION



APRIL 13, 2020

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A.R.S. 38-641 THROUGH 645

- Board shall establish cancer insurance plan (contract or self insure)
- Administers plan for employers & employees
- Establish account for plan funding
- Employer pays annual amount per employee
- Annual audit

EMPLOYER GROUP HEALTH PLAN

- Comply with applicable regulations of HIPAA-HITECH Act (1996, 2009)
- Personal Identifiable Information (PII) and Protected Health Information (PHI)
- Designated Record Set
- Ensure the Security and Confidentiality of System Records – hardcopy (PHI) & electronic (ePHI)
- Covered Person rights
- Notice of Privacy Practices
- Privacy and Security Officers

ESSENTIAL STEPS

- Determine obligations
- Plan participant rights
- Policies & procedures
- Workforce training
- Breaches and notification
- Readiness assessment

PROJECT DOCUMENTS

- HIPAA SharePoint portal
- A3 Project management document
- Detailed implementation log (KNP)

READINESS ASSESSMENT

- Annual Readiness Assessment
- Identify gaps
- Implement corrective measures
- Verify corrections

CURRENT STATE

- Notice of Privacy Practices mailing
- Train CIP staff on policy & procedures
- ePHI Encryption in short-term IT plan
- Readiness assessment
- Ongoing new hire training and confidentiality agreements

ANNUAL PLAN

- Complete full implementation
- CBT Training and Education
- Monitoring and Reporting
- Quarterly meetings with staff
- Special Projects/Issues as needed



QUESTIONS AND DISCUSSION



State Board Member Per Diem Compensation and Expense Reimbursements

CONCLUSION: As required by law, we conducted an annual review of per diem compensation and expense reimbursement payments to members of State boards, commissions, councils, and advisory committees (collectively referred to as boards) for fiscal year 2019. In this review, we followed up on the recommendations from our prior reports, Reports 17-306 and 19-302, *State Board Member Per Diem Compensation and Expense Reimbursements* for fiscal years 2016 through 2018, which we issued in November 2017 and March 2019; presented a table of State boards with fiscal year 2019 payment information and prior and current review results; and examined fiscal year 2019 payments of per diem compensation and expense reimbursements for some boards' members. We found that the Public Safety Personnel Retirement System (PSPRS) did not pay its board members in accordance with State laws and State or PSPRS policies, which put public monies at risk of misuse. Further, we found that some boards lack written policies and procedures for paying per diem compensation, putting these boards at risk for making inaccurate, inappropriate per diem payments.

PSPRS did not pay its board members in accordance with State laws and State or PSPRS policies, which put public monies at risk of misuse

During our fiscal year 2019 annual review, we found that the PSPRS Board of Trustees did not always pay its board members in a manner consistent with State laws and State or PSPRS policies. Specifically, PSPRS reimbursed one member \$1,598 more than another member for the same conference hotel. The additional reimbursement was for an additional night and an upgraded city view room. PSPRS also inappropriately reimbursed members \$556 for mileage because it used the incorrect rate and \$357 for meal expenses that were not in accordance with its policy.

In addition, PSPRS paid all per diem compensation and expense reimbursement payments to its Board of Trustees and Defined Contribution and Disability Committee members outside of the State's payroll system, placing the State at risk for noncompliance with applicable tax withholding requirements.

Recommendation

PSPRS should:

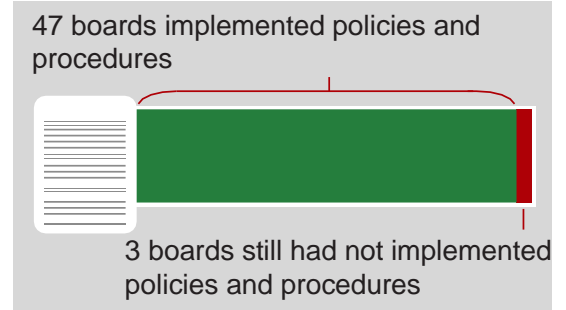
- Ensure that its Board of Trustees adheres to State laws and State and PSPRS policies and considers the best interests of its constituents to ensure per diem compensation and expense reimbursement payments to board members are appropriate and adequately supported.
- Work with its legal counsel to pursue reimbursement from its board members for any inappropriate payments, as it determines necessary.
- Ensure that all payments to its Board of Trustees and Defined Contribution and Disability Committee members are processed on the State's payroll system to ensure compliance with tax withholding requirements.

Some boards still lack written policies and procedures for paying per diem compensation, putting these boards at risk for making inaccurate, inappropriate per diem payments

In our current and previous reviews, we examined 50 boards that pay per diem compensation and should have written policies and procedures governing those payments. Specifically, these policies and procedures should comply with each board's statutory requirements and define specific recommended elements. As of December 1, 2019, 3 of the 50 boards we have examined did not implement our recommendations to have written policies and procedures containing the recommended elements, putting these boards at risk for making inaccurate, inappropriate per diem payments that do not comply with State law and board rules.

Recommendation

Arizona's State boards, including the Board of Massage Therapy, PSPRS Board of Trustees, and Water Quality Appeals Board, that have not yet done so should develop and implement written policies and procedures for paying board member per diem compensation that comply with each board's statutory requirements and define the specific board-related activities eligible for compensation, the amount of time spent on board-related activities that will be compensated, and the process for paying compensation to board members.



Finding 1: PSPRS did not pay its board members in accordance with State laws and State or PSPRS policies, which put public monies at risk of misuse.

PSPRS should:

Recommendation 1a: Ensure that its Board of Trustees adheres to State laws and State and PSPRS policies and considers the best interests of its constituents to ensure per diem compensation and expense reimbursement payments to board members are appropriate and adequately supported.

Management Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Board relied on management to check for compliance and management approved and reimbursed expenses in accordance with internal policies and processes. While there were legitimate reasons for the differences in hotel reimbursements for Board member travel due to lack of discounted rooms, PSPRS will work with the Board of Trustees on options for policy changes and procedures to ensure reimbursements to board members are appropriate and adequately supported.

Recommendation 1b: Work with its legal counsel to pursue reimbursement from its board members for any inappropriate payments, as it determines necessary.

Management Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: PSPRS will consult with its legal counsel and Board of Trustees regarding the pursuit of reimbursement options for any inappropriate payments.

Recommendation 1c: Ensure that all payments to its Board of Trustees and Defined Contribution and Disability Committee members are processed on the State's payroll system to ensure compliance with tax withholding requirements.

Management Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: PSPRS will begin making all payments to board members through the State's payroll system to ensure that tax withholding requirements are met.

Finding 2: Some boards still lack written policies and procedures for paying per diem compensation, putting these boards at risk for making inaccurate, inappropriate per diem payments

Recommendation: The PSPRS Board of Trustees should develop and implement written policies and procedures for paying board member per diem compensation that comply with each board's statutory requirements and define the specific board-related activities eligible for compensation, the amount of time spent on board related activities that will be compensated, and the process for paying compensation to board members.

Management Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: PSPRS will work with the Board of Trustees on clarifications to its policy with regard to what board related activities qualify a board member to receive compensation.

