



PSPRS Trust Employer and Local Board Audit Program Overview

Cathleen Davis, Chief Internal Auditor

ANNUAL EMPLOYER & LOCAL BOARD CONFERENCE
MARCH 1, 2023



Employer and Local Board Audit Program

The PSPRS trust is undertaking audits of participating employers and their associated local boards to ensure uniform, consistent and equitable retirements for its members

These audits will be conducted by the PSPRS Internal Audit Office

PSPRS

Internal Audit Office



Cathleen Davis, MBA, CIA, CFE
Chief Internal Auditor

Cathleen Davis joined PSPRS in March 2021 as the Chief Internal Auditor

- More than 20 years experience in governmental auditing and accounting
- Previous experience includes the City of Scottsdale's City Auditor's Office, the City of Chandler and the United States Department of Agriculture – Office of Inspector General
- Board member for the Institute of Internal Auditors Phoenix Chapter & Board Secretary for the Association of Public Pension Fund Auditors
- Certified Internal Auditor & Certified Fraud Examiner

PSPRS

Internal Audit Office



Meka Harris
Employer & Local Board Auditor

Charmeka “Meka” Harris started with PSPRS in August 2022 as the Employer & Local Board Auditor

- More than 4 years experience in governmental auditing
- Previous experience includes conducting:
 - Performance audits for the Arizona Department of Transportation
 - Fraud investigations for the Arizona Health Care Cost Containment System – Office of Inspector General
 - Program compliance for the Arizona Department of Economic Security
- Six Sigma Green Belt Certification

Arizona House Bill 2381 (Laws 2021, Chapter 34)

In 2021, the Arizona State Legislature provided the PSPRS Trust Board with additional requirements and duties related to employers and local boards

Changes included incorporating the Board's existing fiduciary authority into state law: "...an employer and a local board shall submit any reports, data, paperwork or other materials that are requested by the Board of Trustees for any reason ..."

Audit Authority

The PSPRS employer and local board audits will be conducted pursuant to the:

- Provisions of Arizona House Bill 2381
- Fiscal year 2022/23 PSPRS Board of Trustees-approved Audit Plan

Audit Objective

The employer and local board audits' objective will be to determine whether employers' and local boards' are in compliance with statutes governing the PSPRS administered plans

During the audits, emphasis will be placed on informing and educating employers and their associated local boards in regard to their requirements and responsibilities

Audit Scope

Specifically, the audits will evaluate compliance with select provisions of the Arizona Revised Statutes (ARS) Title 38 *Public Officers and Employees*, including:

- Chapter 3 *Conduct of Office*
- Chapter 4 *Compensation and Insurance*
- Chapter 5 *Social Security and Retirement*
- Chapter 6 *Public Safety Supplemental Benefits Plan*

Internal Audit Office – Audit Process



Audit Start

An audit start letter is sent to the employer and local board

The letter will include the audit's objective, scope, methodology and estimated timeline

An entrance conference will then be scheduled with the employer and local board. The entrance conference enables the employer and local board to share how they manage compliance with Arizona Revised Statutes, including contribution reporting and payments

Audit Planning & Fieldwork

Internal Audit will:

- Request documents and records from the employer and local board
- Conduct interviews, observations, document and record reviews and/or data analysis
- Work closely with the employer and local board to obtain and review information needed to complete the audit

Audit Fieldwork Testing Objective Examples

Audit fieldwork testing objectives for employers may include, but are not limited to,:

- Determining if employers' pensionable wage reports are complete, accurate and timely
- Determining if employer and member contribution payments are complete, accurate and timely
- Determining if contribution payments for retired members returning to work are made in accordance with ARS requirements

Audit Fieldwork Testing Objective Examples

Audit fieldwork testing objectives for local boards may include, but are not limited to,:

- Determining if local board determinations are made in accordance with ARS requirements
- Determining if local board meetings are held in accordance with ARS requirements
- Determining if local board members have completed ARS-related training as required

Audit Fieldwork Conclusion

At fieldwork completion, Internal Audit will communicate audit conclusions to the employer, local board and PSPRS management

Audit conclusions will be supported by sufficient, appropriate evidence

Audit Reporting

Internal Audit will prepare a draft audit report for PSPRS management and present to:

- PSPRS Operations, Audit and Governance Policy Committee
- PSPRS Board of Trustees

The final audit report will be shared with the employer and local board

Audit Follow Up

PSPRS Member Services and Finance will support the employer and local board in implementing any audit recommendations

Internal Audit will:

- Review documentation to verify the employer and local board have implemented audit recommendations
- Provide periodic audit recommendation status updates to the PSPRS Operations, Audit and Governance Policy Committee

PSPRS Integrity Hotline

Report Fraud, Waste, Abuse and Unethical Behavior

Call

(602) 889-9266

Email

hotline@psprs.com

Online Form

psprs.com/contact-us/integrity-hotline

Employer and Local Board Resources

PSPRS Website

- Employers & Local Boards
<https://www.psprs.com/employers--local-boards/>
- Contribution Rates & Reporting
<https://www.psprs.com/employers--localboards/contribution-rates-reporting>

Arizona Revised Statutes

<https://www.azleg.gov/arstitle>

Employer and Local Board Contacts

Employers

For questions or additional information about PSPRS, CORP and/or EORP employer requirements and responsibilities:

Harold Greene

Employer Relationship Manager

hgreene@psprs.com

(602) 296-2553

Local Boards

For questions or additional information about PSPRS and/or CORP local board requirements and responsibilities:

Joann Lowey

Local Board Relationship Manager

jlowey@psprs.com

(602) 296-2528

Audit Contacts and Board Committee

Internal Audit Office

Audit@psprs.com

- Cathleen Davis, MBA, CIA, CFE
Chief Internal Auditor
(602) 296-2565
- Meka Harris
Employer & Local Board Auditor
(602) 889-9284

Operations, Audit and Governance Policy Committee

- Trustee Dean Scheinert, Chairman
- Trustee Brian Moore, Vice-Chairman
- Trustee Alan Maguire
- Trustee Nate Weber



Questions, comments & discussion

LET'S TALK

What questions do you have?