

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
AUDIT COMMITTEE
NOVEMBER 27, 2023, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the November 27, 2023 Meeting of the Audit Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William O'Mara (Chair), Betty Pendergrass, Lynn Hampton, and William Summers, V. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Carrie Bass, Stephanie Hold, Steve Willer, Connie Davis, Elizabeth Smith, Dominique McKinley, Chris Johnson, Kristen Coffey, Matthew Daugherty, William Prince, Madeline Evans, Melinda Wofford, Ashley Gabbard, Phillip Cook, Katie Park and Sherry Rankin. Others present included Adam Gordon and Linda Hinton with the Auditor of Public Accounts.

Mr. O'Mara called the meeting to order.

Mr. Board read the Opening Statement.

Ms. Rankin called roll.

There being no **Public Comment** received, Mr. O'Mara introduced the agenda item **Approval of Minutes – August 24, 2023** (Video 00:06:39 to 00:08:39).

Mr. Summers made a motion to approve the minutes as presented. Ms. Hampton seconded the motion.

Ms. Pendergrass suggested that the language, '(1) Delete VII. Internal Control System, Components of COSO', be amended to '(1) Delete Components of COSO in Section VII. Internal Control System'.

Mr. Summers made a motion to approve the minutes as amended. The motion was seconded by Ms. Pendergrass and passed unanimously.

Mr. O'Mara introduced the agenda item *External Audit Updates (Video 00:08:40 to 00:35:00)*. Mr. Adam Gordon with the Auditor of Public Accounts reviewed the Draft Fiscal Year Ended June 30, 2023, External Audit with the Committee.

Ms. Pendergrass noted a spelling error within the Annual Comprehensive Financial Report (ACFR). She stated that 'judgements' was spelled incorrectly in the Management's Responsibility for Financial Reporting (ACFR, p.5).

Ms. Hampton made a motion to approve the Draft Fiscal Year Ended June 30, 2023, External Audit including GASB 67 and 74 as presented and to forward it the KPPA for ratification. The motion was seconded by Ms. Pendergrass and passed unanimously.

****Mr. Summers V exited the meeting****

Mr. O'Mara introduced the agenda item *Draft Management Response to Fiscal Year 2022 GFOA ACFR Letter (Video 00:35:01 to 00:38:35)*. Ms. Connie Davis presented the Draft Management Response to Fiscal Year 2022 Government Finance Officers Association (GFOA) ACFR Letter. She briefly reviewed the comments made by GFOA and the response to the received comments.

A motion was made by Ms. Pendergrass to approve the Management Response to Fiscal Year 2022 GFOA ACFR Letter as presented. Ms. Hampton seconded the motion and the motion passed unanimously.

Mr. O'Mara introduced the agenda item *Infrastructure and Application Security Assessment (Video 00:38:46 to 00:43:22)*. Ms. Dominique McKinley presented a summary of the results of the Infrastructure and Application Security Assessment. Ms. McKinley requested approval for KPPA to complete a third-party information security audit in 2024 to ensure remediation efforts were successful and to identify any new risks and vulnerabilities.

Ms. Pendergrass made a motion to approve the request for an Infrastructure and Application Security Assessment. The motion was seconded by Ms. Hampton and passed unanimously.

Mr. O'Mara introduced the agenda item *KPPA Audit Committee Administrative Updates (Video 00:43:22 to 01:23:33)*. Ms. Bass presented Information Disclosure Incidents. She stated that there were three (3) potential disclosures/breaches which implicated the KPPA Data Disclosure Notification Policy. There were also three (3) potential disclosures that were reported to the KPPA Office of Legal Services that were not a disclosure or security breach under state law, federal law, or the KPPA Data Disclosure Notification Policy, said Ms. Bass. KPPA Staff was the source of the three (3) disclosures/breaches which implicated the KPPA Data Disclosure Notification Policy. Ms. Bass briefly reviewed synopses of each potential disclosures/breach.

Ms. Hold presented the Anonymous Tips received since the last meeting of the KPPA Audit Committee on August 17, 2023. She reported that eight (8) fraud tips were received and five (5) of these tips were closed following review. Three (3) tips are currently open, said Ms. Hold.

Mr. Daugherty briefly reviewed the Fiscal Year 2024 Internal Audit Budget as of September 30, 2023.

Ms. Coffey presented the Status of Current Internal Audit Projects. She advised that twenty-four (24) projects were included in the current audit plan. Three (3) projects had been completed and sixteen (16) were in-progress at the time of the meeting, reported Ms. Coffey.

Next, Ms. Coffey, Ms. Evans, and Ms. Wofford presented succinct summaries of the three (3) audits completed by the KPPA Division of Internal Audit since the last meeting of the KPPA Audit Committee: Allocation of Expenses, Review of Investment Manager Fees, and Quality Assurance and Improvement Plan.

****Mr. Summers V reentered the meeting****

Ms. Pendergrass made a motion to accept the results of the internal audit projects as presented, Allocation of Expenses and Review of Investment Manager Fees. Also, to accept the Self-Assessment project and request approval for an external validation in conjunction with the

Quality Assurance and Improvement Plan. These may be presented as recommendations to the KPPA for consideration and approval, said Ms. Pendergrass.

Ms. Hampton expressed opposition to the motion. She wished to accept the Self-Assessment project pending review. Ms. Pendergrass reiterated that her suggestion was to accept the Self-Assessment project and send the Self-Assessment to the KPPA for their action.

Ms. Hampton stated that she would like to see the external review.

Mr. O'Mara clarified that there are two ways for an audit to be reviewed; (1) hire a third party to review; and (2) conduct a self-assessment with an external review. The self-assessment has been completed; therefore, an external review is now needed, said Mr. O'Mara.

Ms. Coffey confirmed that the selected option was a self-assessment with an external validation. She advised that the self-assessment portion was complete, and that the KPPA Division of Internal Audit was requesting approval to obtain the external validation for the project.

Mr. O'Mara requested a motion to approve the Allocation of Expenses and Review of Investment Manager Fees internal audits as presented. Ms. Pendergrass made the motion and Ms. Hampton seconded the motion. Mr. Summers abstained from the vote; however, the motion passed.

Mr. O'Mara requested a motion to approve the Division of Internal Audit to request the completion of an external validation of the Quality Assurance and Improvement Plan: Self-Assessment. Ms. Hampton made the motion and was seconded by Ms. Pendergrass. The motion passed unanimously.

Mr. O'Mara introduced the agenda item *Association of Public Pension Fund Auditors Fall 2026 Conference (Video 01:23:34 to 01:29:52)*. Ms. Evans advised that KPPA and the Kentucky Teachers' Retirement System (TRS) will cohost the 2026 Association of Public Pension Fund Auditors (APPFA) Professional Development Conference. She presented the agenda from the 2023 Association of Public Pension Fund Auditors (APPFA) Professional Development Conference as an example. Ms. Evans announced that the Authority Members

may speak at the conference if they so choose. Hosting the week-long conference has no financial impact to KPPA, said Ms. Evans.

Mr. O'Mara introduced the agenda item *NCPERS – Best Governance Practices for Public Retirement System* (Video 01:29:53 to 01:33:50). Mr. Prince briefly presented an article from the National Conference on Public Employee Retirement Systems (NCPERS) which discusses governance best practices for retirement systems.

There being no further business, Mr. O'Mara *adjourned* the meeting.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded above the action of the Committee on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in connection with this meeting.


Recording Secretary

I, as Chair of the Audit Committee of the Kentucky Public Pensions Authority, do certify that the Minutes of the meeting held on November 27, 2023, were approved by the Audit Committee on February 27, 2024.


Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on November 27, 2023, for form, content, and legality.


Executive Director
Office of Legal Services