

**AUDIT COMMITTEE MEETING MINUTES
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)
November 18, 2016**

The Tennessee Consolidated Retirement System (TCRS) Audit Committee for the Board of Trustees met on Friday, November 18, 2016. The meeting began at 8:00 a.m. in Nashville Room of the Tennessee Tower.

The following members were present:

- Chairman Michael Barker
- Commissioner Rebecca Hunter, TN Department of Human Resources
- Tre Hargett, Secretary of State

Others present were:

- David H. Lillard, Jr., TN State Treasurer
- Earle Pierce, Director of Internal Audit, TN Department of Treasury
- Gail Moses, Legislative Auditor, TN Comptroller of the Treasury, Division of State Audit
- Jill Bachus, Director of TCRS
- Andy McArthur, Internal Auditor, TN Department of Treasury

Call Meeting to Order

Chairman Barker called the meeting to order and presented the minutes from the September 30, 2016 Audit Committee meeting for approval. Secretary Hargett motioned to accept the minutes as presented and Commissioner Hunter seconded the motion. The minutes were unanimously approved from the September 2016 Audit Committee meeting.

2015 Special Audit Opinion Letters

Ms. Moses presented the 2015 Special Audit Opinion Letters. The Comptroller's office issued unmodified opinions for all 2015 special audits.

Internal Audit Reports and Memos

Mr. Pierce discussed Internal Audit's review of procedures related to an audit exception from the Comptroller's Office after the FY 2015 audit. Cash Management and Wire Room procedures for processing CD purchase requests now includes appropriate segregation of

duties to assure each transaction is accurate and properly executed. Procedures for similar transactions will be reviewed annually during the FIA risk assessment. Mr. Pierce also reviewed with the Committee a memo outlining data analytics conducted by Treasury Internal Audit staff.

Review of Internal Audit Projects Schedule

Mr. Pierce reviewed a schedule of current and future projects for the Internal Audit Division. Current projects are at various stages of completion. Final reports will be included in the meeting material as the projects are completed.

Private Equity Disclosure

Chairman Barker stated the Private Equity Disclosure was available in the meeting packet. Mr. Pierce stated if additional information is needed Committee members should contact him.

Discuss Comptroller's Hotline

Mr. Pierce discussed the Comptroller's Hotline. This hotline exists for citizens and state employees to report suspected cases of fraud, waste, and/or abuse. Mr. Pierce stated he contacted the Comptroller's Office the previous day. No hotline submissions related to TCRS have been received since the previous Audit Committee meeting.

Tone at the Top

Chairman Barker discussed a recent Institute of Internal Auditors (IIA) article included in the meeting packet. The article covers issues with compliance risk and regulatory burdens having surfaced in the last decade.

Closed Executive Session

Chairman Barker initiated a closed session in accordance with T.C.A. §4-35-108 (b). The meeting was re-opened to the public at the conclusion of discussion in the closed session.

Other Business

Chairman Barker opened the floor for those in attendance to present any other business not discussed previously in the meeting.

Ms. Bachus stated TCRS staff is currently focused on preparing IRS Form 1099 for retirees. Retirement applications are following the normal frequency cycle.

Adjournment

Chairman Barker stated he would entertain a motion to adjourn if no other business was to be brought before the committee. Commissioner Hunter motioned to adjourn and Secretary Hargett seconded the motion. The meeting adjourned at 8:35 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

