

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS
Finance, Administration, Audit, and Compliance Committee- Minutes Adopted 9-6-13
202 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor
Friday, August 16, 2013, 2:00 p.m.

FAAC Committee Members Present:

Mr. Steve Matthews, Chairman (in person)
Ms. Peggy Boykin (by phone)
Mr. Leon Lott (by phone)
Mr. Art Bjontegard (in person)

Other Members Present:

Mr. Frank Fusco (in person)

Others present for all or a portion of the meeting:

David Avant, Lil Hayes, Stephen Van Camp, Travis Turner, Justin Werner, Megan Lightle and Virginia Wetzel from the South Carolina Public Employee Benefit Authority (PEBA).

AGENDA

1. CALL TO ORDER; ADOPTION OF PROPOSED AGENDA

Mr. Matthews called the meeting to order at 2:00 p.m. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. Mr. Bjontegard moved to adopt the proposed agenda. Ms. Boykin seconded. Unanimously approved.

2. Approval of Meeting Minutes- April 16, 2013 and June 4, 2013

Mr. Matthews asked for amendments to the April 16, 2013 and/or June 4, 2013 committee minutes. There being none, Mr. Matthews asked for a motion to approve the minutes. Mr. Bjontegard moved to approve the minutes. Ms. Boykin seconded. Unanimously approved.

3. Internal Auditor

The Committee reviewed a summary of other states Internal Auditor position descriptions and job credentials. There was discussion regarding the direct reports to the internal auditor. Travis Turner, PEBA Chief of Staff, indicated that in 2012, field auditors no longer reported to the Internal Auditor but to Insurance and Retirement Operational Managers due to the nature of their job duties (compliance of Health and Retirement participating employers). Four categories of PEBA audits were summarized: External Audits (hired by State auditor for financial statements), Inspector General (IG) Fiduciary Audit (outside auditor hired by IG), Internal Audits (Internal controls through computer queries), and Field Audits (compliance of participating employers). Mr. Fusco indicated that the Internal Auditor and or internal audit unit should incorporate performance measure audits with heavy emphasis on the Agency's Health operations. Ms. Boykin requested additional information summarizing other state's internal audit departments and unit structure. She also recommended that the internal auditor serve as a central liaison for all audit related activities. Mr. Matthews reviewed the current internal auditor's position description.

Action:

Mr. Bjontegard moved to approve the following motion:

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS
Finance, Administration, Audit, and Compliance Committee- Minutes Adopted 9-6-13
202 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor
Friday, August 16, 2013, 2:00 p.m.

The Internal Auditor will report directly to the FAAC Committee with a dotted line to the PEBA Director for administrative purposes. The FAAC Committee will have the authority by the PEBA Board to develop the Internal Auditor position description, job parameters and a proposed Audit Unit structure.

Ms. Boykin seconded the motion. Unanimously approved.

Ms. Boykin requested comparative salary information for the Internal Auditor position.

4. Agency Budget

The Committee reviewed the agencies' budget details [in notebook materials]. Ms. Boykin highlighted three areas that may need addressing in the upcoming budget: Internal audit, IT infrastructure and security, and educational training and staff professional certifications. Discussion regarding IT needs followed. The Committee asked staff for continual updates on the initial IT assessment. There was discussion regarding the planning of a three to five year budget outlook for the agency. Mr. Fusco requested a budget breakdown by function area. It was announced that the Committee will review the FY 2014/2015 Agency Budget request during their September 2013 Committee meeting. The request will be due to the Office of State Budget by October 1, 2013.

5. Committee Charter

The Committee requested amendments to the FAAC Committee Charter. Staff was directed to incorporate amendments.

Action:

Mr. Bjontegard moved to recommend the FAAC Committee Charter as amended to the PEBA Board. Sheriff Lott seconded. Unanimously approved.

6. Strategic Plan

The Committee discussed changes to the Strategic Plan. PEBA Legal staff recommended consulting with IceMiller for fiduciary responsibility accuracy in the mission and vision statements. The Committee directed staff to incorporate all changes discussed and to recommend an amended version to the PEBA Board during the August 2014 Board meeting.

7. Accountability Report

The Committee intensely reviewed the Agency's Accountability Report and recommended changes in accordance with Baldrige criteria. They directed staff to incorporate the changes and redistribute to all PEBA Board Members for review. The final document is due to the Office of State Budget by September 16, 2013.

8. Agency Updates

The Committee discussed a potential technical amendment to change the annual Financial Audit required by the Inspector General's Office to every five years. Due to Retirement and Health Trust Fund Audits performed annually, it was believed that the Inspector General's Audit need not occur on an annual basis.

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS
Finance, Administration, Audit, and Compliance Committee- Minutes Adopted 9-6-13
202 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor
Friday, August 16, 2013, 2:00 p.m.

Mr. Fusco recommended that the PEBA Agency Director's position description be aligned with the strategic plan and that new duties be added prior to January 1, 2014. He suggested surveying all Board Members for their ranking of importance of position description duties. The Board should then engage in a work session with an external consultant to fully develop the position description.

9. Round Table Discussion

Mr. Bjontegard suggested revisiting the PEBA Bylaws to discuss Executive Session participation by phone. That will be discussed during the next Board Meeting.

10. Adjournment

There being nothing further to discuss, Mr. Matthews moved to adjourn and Sheriff Lott seconded. The committee adjourned at 5:12 p.m.