



MINUTES

**Meeting of the Audit Committee
of the Board of Trustees of the
State Universities Retirement System
1:15 p.m., Thursday, June 11, 2009
The Northern Trust – London Room B9
50 S. LaSalle Street
Chicago, Illinois**

The following Trustees were present: Mr. Mark Donovan, Mr. Michael Mackey, Dr. Alice Palmer, Mr. Antonio Vasquez, Mr. Mitchell Vogel and Dr. Marva Williams.

Others present were: Ms. Judith A. Parker, Interim Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Kelly A. Jenkins, General Counsel; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Mr. Steven Hayward, Internal Auditor; Ms. Shelley Porter, Chief Financial Officer; Mr. Chris Hansen, Director of Operations; Mr. Douglas Steele, Director of Applications Development & Research; Mr. Michael Sheppard, Assistant Deputy Director of SMP; Mr. Terrin Krantz, Director of Human Resources; Ms. Angela Lieb, Director of Member Services; Ms. Marilyn Branson, Corporate Governance and Investment Compliance Officer; Ms. Lori Kern and Ms. Hanea Schluter, Executive Assistants; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Mr. Dick Johnson and Ms. Linda Brookhart, SUAA; Mr. Don Pollak, Ms. Patricia Somerville, and Ms. Amy Sproul, The Northern Trust.

Roll call attendance was taken. Trustee Boardman, absent; Trustee Donovan, present; Trustee Mackey, absent; Trustee Palmer, present; Trustee Pizzuto, absent; Trustee Vasquez, present; Trustee Vogel, present; and Trustee Williams, present.

President Vogel indicated that Mr. Donovan will chair the meeting in Mr. Pizzuto's absence. Mr. Donovan called the meeting to order.

APPROVAL OF MINUTES

Mr. Donovan presented the Minutes from the Audit Committee meeting of March 12, 2009. Mr. Vasquez moved to approve the Minutes; the motion was seconded and was carried.

EXTERNAL AUDIT UPDATE

Mr. Steve Hayward provided a progress report on the implementation of recommendations associated with the FY 2008 compliance audit report that was officially issued in March. Mr. Hayward reviewed the one material audit finding, which relates to the valuation and oversight of private equity investments. Mr. Hayward noted that, staff is working on implementing changes to the process to be in place by the end of 2009. Mr. Hayward also briefly discussed two immaterial audit findings that are being addressed by staff. One immaterial finding recommended that a fraud prevention and detection program be established, and the other was in response to untimely reports being filed with the Comptroller.

Mr. Hayward reported that an entrance conference was held on May 18, 2009, for the FY 2009 financial and compliance audits. Mr. Hayward discussed the scope and timeline set forth by McGladrey & Pullen, LLP, which was hired by the Office of the Auditor General. This is McGladrey & Pullen's second year performing the audit for SURS.

INTERNAL AUDIT REPORTS

Mr. Hayward provided an update on the recovery of overpaid benefits discovered from the quarterly Berwyn death matching process. During the last reporting period ended in April, 20 overpayments were discovered totaling \$94,303. Mr. Hayward reported that \$75,523 has been recovered to date. Currently SURS uses the Berwyn services on a quarterly basis; however staff is considering changing the process to a monthly process. The number of annuitant and survivor deaths discovered through the death match process continues to increase and the increased cost of the service should be covered by lower amounts of overpayments.

Mr. Hayward reported that Internal Audit has been heavily involved in the Board of Trustees Election. Internal Audit was involved in the design of internal controls in various areas of the election, including establishing rules and policy, the verification of petitions, ensuring the ballots were mailed only to eligible voters, and verification of the ballot signature cards. Mr. Hayward will also monitor the actual election ballot counting process being held on June 17, 2009.

In response to the recent external audit finding, staff developed fraud policies and procedures which were modeled after a sample policy endorsed by the Association of Certified Fraud Examiners. Mr. Hayward presented the draft Fraud Policies and Procedures, which is incorporated as a part of these Minutes as [Exhibit 1](#). The Committee reviewed the document.

Mr. Hayward directed the Committee's attention to the new SURS Board of Trustees Travel Authorization Form, which is incorporated as a part of these Minutes as [Exhibit 2](#). Public Act 96-0006 requires that all Board travel be approved before any travel expenditures are incurred. Although the Board discussed approval Board travel for upcoming meetings or upcoming conferences through a blanket motion, this form was

developed for individual travel. Mr. Hayward described the recommended process to use in order to ensure that all travel is approved in accordance with the recent legislation.

Dr. Williams moved that the SURS Fraud Policies and Procedures be approved as presented. The motion was seconded and it carried.

Mr. Hayward expressed his appreciation to the Board and wished them well in the future.

Since no further business was to come before the Committee, the meeting was adjourned.

Respectfully submitted,

A handwritten signature in cursive script that reads "Judith A. Parker".

Ms. Judith A. Parker
Secretary, Board of Trustees

JAP:ss