



INVESTED IN TOMORROW.

Audit & Budget Committee Meeting

PERA Building • Senator Fabian Chavez, Jr. Board Room
33 Plaza La Prensa • Santa Fe, NM 87507

Tuesday, June 11, 2024

following SmartSave Committee

Committee Members

Valerie Barela, *Chair*
Diana Rosales Ortiz, *Vice Chair*
Laura Montoya

Francis Page
Augustine Romero

AGENDA

1. **Call to Order**
 2. **Roll Call**
 3. **Approval of Agenda**
 4. **Approval of Audit & Budget Committee minutes**
 - A. March 12, 2024 Audit & Budget Committee minutes
 5. **New Business**

A. Review and Update the Audit & Budget Committee Charter	Action	Lynette Sanders, ASD Director/CFO
B. Records Management Internal Control Assessment Report	Informational	Emily Wilson, CPA, CFE, Kelly Burton, CPA, CliftonLarsonAllen
C. Employer Outreach and Education Internal Control Assessment Report	Informational	
D. Fiscal year 2024 Budget Projection through May 31	Informational	Lynette Sanders, ASD Director/CFO
 6. **Adjournment**
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Any person with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact Trish Winter at (505) 795-0712 or patriciab.winter@pera.nm.gov at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact Ms. Winter if a summary or other type of accessible format is needed.



AUDIT AND BUDGET COMMITTEE CHARTER

Section 1

Statement of Purpose

The PERA Board has oversight of the retirement fund of the Plan's financial reporting, compliance with laws and policies, and risk management activities. The Audit and Budget Committee also has oversight in the Plan's financial reporting compliance with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) Standards, and NM State Audit Rule. The Audit and Budget Committee assists the Board in fulfilling its fiduciary oversight responsibilities by participating in the selection and evaluation of the ~~SystemPlan~~'s independent external auditor and the internal auditor, keeping informed of legal and accounting developments that impact the presentation and reporting of financial information, obtaining information or briefings from the internal and external auditors, and working with PERA executive staff to develop recommendations and advice to the Board.

Section 2

Organization/Membership

The Audit and Budget Committee shall be composed of a Committee Chair and Vice-Chair, and members who are appointed annually by the PERA Board Chair. Members shall be independent and free from conflict of interest, whether perceived or actual.

Section 3

Committee Meetings and Objectives

The Committee's main objectives are to provide general oversight and offer recommendations for PERA's audit arrangements, including both internal and external auditing; provide general oversight and approval of PERA's budget; and general oversight of risk management activities. The committee shall meet, no less than ~~four-three~~ times a year ~~and scheduled as needed~~, to address matters on the committee's agenda in accordance with the open meetings act.

Section 4

Authority and Ethics

The committee shall have the following authorities:

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AUDIT AND BUDGET COMMITTEE CHARTER

- Provide policy assistance to the Board regarding accounting and financial reporting, auditing, budgeting, and risk management activities; and
- ~~Under~~ unrestricted authority within the scope of its purview.

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The committee shall carry out their duties with the highest level of honesty and integrity; act in the interest of the PERA membership; maintain an open avenue of communications with management, staff and the board; and maintain confidentiality and protect the ownership of information.

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- The Committee shall review the following:
 - In April, a review of the Operating Budget
 - In August, a review of the Appropriation Request
 - Internal audit reports as issued by the internal auditors; and An annual review of the Audit and Budget Committee Charter
 - An annual review of the Audit and Budget Committee Charter. Internal audit reports presented and reviewed by the Audit and Budget Committee as issued by the internal auditors.

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Section 5

Continuity

The previous Audit & Budget Committee Chair shall provide the new Chair and Vice Chair of the Committee with Memo of Transition/Continuity. The memo will outline items that were reviewed and/or completed the previous year and items that are work in progress.

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AUDIT AND BUDGET COMMITTEE CHARTER

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The PERA Board has oversight of the retirement fund of the Plan's financial reporting, compliance with laws and policies, and risk management activities. The Audit and Budget Committee also has oversight in the Plan's financial reporting compliance with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) Standards, and NM State Audit Rule. The Audit and Budget Committee assists the Board in fulfilling its fiduciary oversight responsibilities by participating in the selection and evaluation of the Plan's independent external auditor and the internal auditor, keeping informed of legal and accounting developments that impact the presentation and reporting of financial information, obtaining information or briefings from the internal and external auditors, and working with PERA executive staff to develop recommendations and advice to the Board.

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Committee Meetings and Objectives

The Committee's main objectives are to provide general oversight and offer recommendations for PERA's audit arrangements, including both internal and external auditing; provide general oversight and approval of PERA's budget; and general oversight of risk management activities. The committee shall meet, no less than three times a year and scheduled as needed, to address matters on the committee's agenda in accordance with the open meetings act.

Section 4

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The committee shall have the following authorities:

- Provide policy assistance to the Board regarding accounting and financial reporting, auditing, budgeting, and risk management activities; and
- Unrestricted authority within the scope of its purview.



AUDIT AND BUDGET COMMITTEE CHARTER

The committee shall carry out their duties with the highest level of honesty and integrity; act in the interest of the PERA membership; maintain an open avenue of communications with management, staff and the board; and maintain confidentiality and protect the ownership of information.

The Committee shall review the following:

- In April, a review of the Operating Budget
- In August, a review of the Appropriation Request
- Internal audit reports as issued by the internal auditors; and
- An annual review of the Audit and Budget Committee Charter

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New Mexico PERA Internal Audit Update

June 11, 2024

Agenda

- Records Management Report Summary
- Employer Outreach and Education Report Summary
- Current and Upcoming Internal Audit Projects



Objectives and Scope for Internal Audit Projects

- Perform interviews with key personnel;
- Review relevant PERA policies and procedures;
- Evaluate the design and operating effectiveness of current processes and internal controls;
- Conduct walkthroughs over various processes to evaluate the design and operating effectiveness of current processes and internal controls; and
- Propose future changes that mitigate risk and better support internal controls.



Records Management

Internal Audit Report Summary



Work Performed

- Manual Data Entry
 - Gained an understanding of the current processes that require manual data entry and performed walkthroughs over the processes for forms.
 - We selected a sample of members that began contributing between November 1, 2023, and December 16, 2023. We tested to determine whether the information per the member's Application for PERA Membership Form agreed to the demographics shown in the member's RIO account.
 - We selected a sample of retirees with a retirement date between February 1, 2023, and January 8, 2024, and tested to determine whether the information per the member's Application for Pension agreed to the demographics shown in the member's RIO account.



Work Performed - continued

- Policies and Procedures
 - We requested and reviewed copies of written policies and procedures that were being followed by the Records Department at the time of fieldwork.
 - We conducted interviews and walkthroughs with Records Department staff to compare written policies and procedures with processes that are being performed by staff.
- Quality Control and Verification Process
 - We conducted interviews with Records Department staff and performed walkthroughs to gain an understanding over the process for quality control checks, validation, and verification of forms that are received by the Records Department.



Work Performed - continued

- Filing Process within Retirement Information Online (RIO)
 - We conducted interviews with Records Department staff and performed walkthroughs to gain an understanding over the filing process for forms received by the Records Department.
 - We selected a sample members that began contributing between November 1, 2023, and December 16, 2023, and tested to determine whether the member's RIO account contained an Application for PERA Membership Form and that the form was appropriately filed.
 - We selected a sample of retirees with a retirement date between February 1, 2023, and January 8, 2024, and tested to determine whether the retiree's RIO account contained an Application for Pension Form and that the form was appropriately filed.



Work Performed - continued

- Processing of Cases
 - We conducted interviews with Records Department staff and performed walkthroughs of Case Manager, the program used by PERA to track cases. During walkthroughs, CLA reviewed and analyzed data within Case Manager.
 - As of the date of fieldwork (1/23/24), Case Manager data showed the following:
 - Within the last 30 days, 50.7% of incoming cases were within the Records Department
 - Within the last 60 days, 53.9% of incoming cases were within the Records Department



Summary of Internal Audit Results

Internal Audit Observation

1. Lack of Policies and Procedures

Internal Audit Process Recommendations

1. Employer Education
2. Cross Training
3. PERA Forms
4. Controls over Verification
5. Filing Process for Member Forms
6. Automation



Internal Audit Results – Observation

- **Lack of Policies and Procedures**

- Observation: During our discussions with PERA staff, walkthroughs performed, and review of current policies and procedures, we noted several processes being followed by PERA staff are not documented in written policies and procedures.
- Recommendation: We recommend that these processes be properly documented in policies and procedures and made available to all PERA staff members. Once documented, we recommend policies and procedures be reviewed annually.



Internal Audit Results – Process Recommendation 1

- **Employer Education**

- During our discussions with PERA staff and walkthroughs performed, we noted that employers can enter data for their employees directly into RIO; however, a limited number of employers utilize this capability. Because this is not a required process for all employers, PERA staff must perform the data entry for many employers.
- We recommend that PERA provide additional education to employers that outlines the process to enter data into RIO for their employees. After proper education has been conducted, we recommend PERA require all employers to enter their employee data. This will create consistency among employers and allow PERA staff to serve as the reviewer of data.



Internal Audit Results – Process Recommendation 2

● Cross Training

- There is limited cross training between the Records Department and other departments of PERA. We recommend implementing a base level of cross training between departments. To start, making sure individual department policies and procedures are available to all PERA staff members. The benefits of implementing cross training include the following:
 - Forward thinking and succession planning
 - Backup plan in the event of unexpected turnover or absences
 - Increased collaboration among staff members
 - Improved productivity and efficiency



Internal Audit Results – Process Recommendation 3

- **PERA Forms**

- During discussions with PERA staff, walkthroughs, and review of forms, we noted that there are approximately 30 forms that are received and imaged by the Records Department.
- We recommend evaluating the purpose of each form to ensure that they are needed. Additionally, we recommend reviewing these forms annually.



Internal Audit Results – Process Recommendation 4

● Controls over Verification

- During discussions with Records Department staff and walkthroughs performed, we noted that the same individual can perform the following functions:
 - Validate a member's identity;
 - Verify the type of form;
 - Perform the quality control check for the form.

We identified three errors that were a result of manual data entry. These errors included a misspelled name, an incorrect date of birth, and an incorrect hire date. Following our procedures, we confirmed with PERA management that these errors were subsequently corrected by PERA's compensating internal controls.

We understand that limited staffing has impacted the Records Department, however, to allow for proper segregation of duties, it is best practice to have separate individuals perform these checks to ensure that manual data entry is correct.



Internal Audit Results – Process Recommendation 5

- **Filing Process for Member Forms**

- During walkthroughs of member RIO accounts, we identified inconsistencies in the filing system of documents. Based on discussions with PERA staff, these inconsistencies occur when documents are uploaded through the self-service portal.
- We recommend that PERA create a standardized process for naming and organizing forms within RIO. Additionally, we recommend management consider opportunities for automation. See process recommendation over automation for detail (next slide).



Internal Audit Results – Process Recommendation 6

● Automation

- During discussions with PERA staff, walkthroughs, and testing, we identified several opportunities for PERA to increase efficiencies by implementing digital automation. We recommend PERA consider the following opportunities:
 1. *Manual Data Entry, Validation and Verification*: Consider requiring forms be completed electronically, rather than handwritten.
 2. *Filing Process for Member Forms*: Consider creating a standardized folder structure for all member accounts in RIO. In addition, consider developing a consistent process for naming and organizing forms within the standardized folder structure in a members account.
 3. *Notifications to Members*: When the Records Department is pending information on a form such as a signature, notary, incomplete form, etc., PERA sends a physical letter to the member requesting the information. This letter is automatically generated and printed by the system and mailed by PERA staff the following day. Consider enhancing this process by also sending emails, through an automated process, to accompany the physical letter.



Internal Audit Results – Process Recommendation 6

- **Automation (continued)**

4. *Customized Case Management Dashboard:* Following the implementation of the automated processes, consider the implementation of a customized case management dashboard report to monitor the process with more transparency. The dashboard could be tailored to show details that are most important to management.

By implementing automation in different areas of the records process, the number of cases will decrease which will allow the Records Department to focus their time and effort into other areas, such as quality control and verification.



Employer Outreach and Education

Internal Audit Report Summary



Work Performed

- Employer Handbook
 - We conducted interviews with PERA staff and reviewed the resources available to employers through PERA's website and inquired to determine whether a handbook was available as a resource for employers at the time of fieldwork.
 - We obtained a copy of the PERA Employer Guide, effective July 1, 2010, to evaluate whether the information was accurate based on current procedures. Additionally, we reviewed handbooks for several other state pensions to evaluate best practices for employer guides.



Work Performed – continued

- Employer Trainings
 - We obtained employer related training materials developed and utilized by the Contribution Accounting Bureau and the Member Outreach Bureau.
 - We assessed the training materials to determine whether the resources were consistent, complete, and accurate based on current processes. In addition, we reviewed other state pension websites to evaluate best practices regarding trainings, materials, and resources that are provided to employers.



Work Performed – continued

- Scheduling and Tracking of Employer Trainings
 - We conducted interviews with staff to determine the current process for tracking and scheduling of employer trainings.
 - We obtained a listing of employer trainings conducted by the Contribution Accounting Bureau and the Member Outreach Bureau. The listings contained the training date, employer or Volunteer Fire Department name, and the type of training provided.
 - At the time of testing, a formalized tracking mechanism for the employer trainings was not in place; therefore, the listing was prepared by PERA based on calendars, emails, and previous knowledge of trainings held. We analyzed the listings to determine the number of trainings that took place, the type of trainings, and what employers or VFD's received trainings.



Summary of Internal Audit Results

Internal Audit Process Recommendations

1. Employer Handbook
2. Employer Trainings



Internal Audit Results – Process Recommendation 1

- **Employer Handbook**

- The most recent employer handbook was last updated in July 2010; we recommend performing a review and updating the handbook to incorporate current processes and procedures to be utilized as a resource for employers.
- Moving forward, we recommend the handbook be reviewed and updated on an annual basis. Additionally, we recommend that the employer handbook be distributed to all employers and made available on PERA's website.



Internal Audit Results – Process Recommendation 2

● Employer Trainings

- Based on our review of employer trainings and PERA's website, we recommend PERA consider the implementation of the following:
 - *Employer Trainings on PERA Website:* We recommend reviewing the website content on a regular basis to ensure videos load correctly and content is available for download.
 - *Schedule of Trainings:* We recommend PERA staff develop a schedule or calendar to publish on the website that includes live webinars or trainings.
 - *Tracking of Employer Trainings:* We recommend PERA develop a tracking mechanism for personalized trainings that are conducted with employers.
 - *Enhancements to PERA Website:* We recommend having all RIO resources available on the RIO System Information page of the website. Also, based on common questions and inquiries that come from employers, we recommend implementing a frequently asked questions (FAQ) page.



Internal Audit Results – Process Recommendation 2

- **Employer Trainings (continued)**

- Based on our review of volunteer fire department trainings and materials available on PERA's website, we recommend implementing the following:
 - There is currently no information for volunteer firefighters under the employer section of the website. We recommend including volunteer firefighter annual reporting guidance materials and trainings on the employer page of the website.
 - Based on common questions and inquiries that come from VFD's, we recommend implementing a frequently asked questions (FAQ) page.



Current and Upcoming Internal Audit Projects



Current Projects

- Investment Department Related Technology
- Internal Audit Plan Update – FY25 & FY26

Upcoming Project

- Succession Planning and Modern Management





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**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
RECORDS MANAGEMENT**

INTERNAL CONTROL ASSESSMENT REPORT

JUNE 3, 2024



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Board of Trustees of the Public Employees Retirement Association (PERA)
and Audit and Budget Committee
Santa Fe, New Mexico

Dear Board of Trustees of PERA and Audit and Budget Committee,

This report provides you, Public Employees Retirement Association (PERA) Records Department and PERA management, with the results of the Internal Control Assessment on records management and a means to prioritize risk mitigation and/or remediation strategies.

Our services were performed in accordance with statement on standards for consulting services established by the American Institute of Certified Public Accountants.

CliftonLarsonAllen (CLA) was not engaged by PERA to conduct a financial audit, for which the objective would be the expression of an opinion on the financial statements. Had we been hired to perform an audit of financial information in accordance with U.S. generally accepted auditing standards, other issues may have come to our attention that would have been reported to you. Therefore, we express no opinion on the effectiveness of PERA's controls over all or any part of its financial statements.

In addition, the procedures performed by CLA are not a substitution for management's responsibility to maintain a system of controls to mitigate risk. The Internal Control Assessment was designed to provide PERA insight to inherent and specific risks and deficiencies throughout the organization regarding records management. Our procedures alone cannot identify errors and irregularities related to the scope of this project.

We appreciate the opportunity to assist PERA in performing this assessment. Management and staff involved in the process were a pleasure to work with and very open to sharing their opinions and knowledge. This cooperation was invaluable to the outcome of this project. If you have any questions, please feel free to contact us for assistance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
June 3, 2024

Executive Summary

CliftonLarsonAllen LLP (CliftonLarsonAllen or CLA) performed an internal control assessment for records management to assess whether internal controls are suitably designed and operating effectively to achieve control objectives. The internal control assessment was performed as a result of the PERA's understanding of the importance of internal controls in their processes and holding themselves accountable. CLA performed the assessment from November 28, 2023 through March 31, 2024.

Interviews were performed with key personnel and process owners to gain an understanding of the processes, risks, and internal controls. After the interview process, CLA performed operating effectiveness testing; specifically performing walkthroughs of processes and internal controls with the key personnel including inquiry, observation, and inspection of documentation.

Based on the results of the procedures performed, CLA developed this report to communicate and address the following:

- Control activities
- Observations identified during the assessment
- Recommendations and best practices

The following areas were identified as in-scope for the internal controls' assessment, as well as segregation of duties, in each area:

- 1) Manual data entry
- 2) Policies and procedures
- 3) Quality control and verification process
- 4) Filing process within Retirement Information Online (RIO)
- 5) Processing of Cases

Objectives and Scope

The objective of the internal audit was to perform an internal control assessment over records management for PERA, specifically the following:

- Perform interviews with key personnel;
- Review relevant PERA policies and procedures;
- Evaluate the design and operating effectiveness of current processes and internal controls;
- Conduct walkthroughs over various processes to evaluate the design and operating effectiveness of current processes and internal controls; and
- Propose future changes that mitigate risk and better support internal controls.

CLA performed the following procedures with regards to records management:

Manual Data Entry

We met with Records Department Staff to gain an understanding of the current processes that require manual data entry. We performed walkthroughs over the processes for the following forms:

- Beneficiary Designation
- Member Request for Refund
- Exclusion Form
- Change in PERA Records Form

Utilizing a risk-based approach, with a focus on members that began contributing between November 1, 2023, and December 16, 2023, we obtained a listing and selected a sample of 20 members. We tested this sample to determine whether the information per the member's Application for PERA Membership Form agreed to the demographics shown in the member's RIO account such as name, date of birth, social security number, PERA ID, employment start date, and membership status.

Utilizing a risk-based approach, with a focus on retirees with a retirement date between February 1, 2023, and January 8, 2024, we obtained a listing and selected a sample of 20 retirees. We tested the sample to determine whether the information per the member's Application for Pension agreed to the demographics shown in the member's RIO account such as name, date of birth, social security number, PERA ID, and retirement date.

Policies and Procedures

We obtained and reviewed copies of all written policies and procedures that are currently being followed by the Records Department. In addition, we conducted interviews and walkthroughs with Records Department staff to compare written policies and procedures with processes that are being performed by staff.

Quality Control and Verification Process

We conducted interviews with Records Department staff and performed walkthroughs to gain an understanding over the process for quality control checks, validation, and verification of forms that are received by the Records Department.

Filing Process within Retirement Information Online (RIO)

We conducted interviews with Records Department staff and performed walkthroughs to gain an understanding over the filing process for forms received by the Records Department.

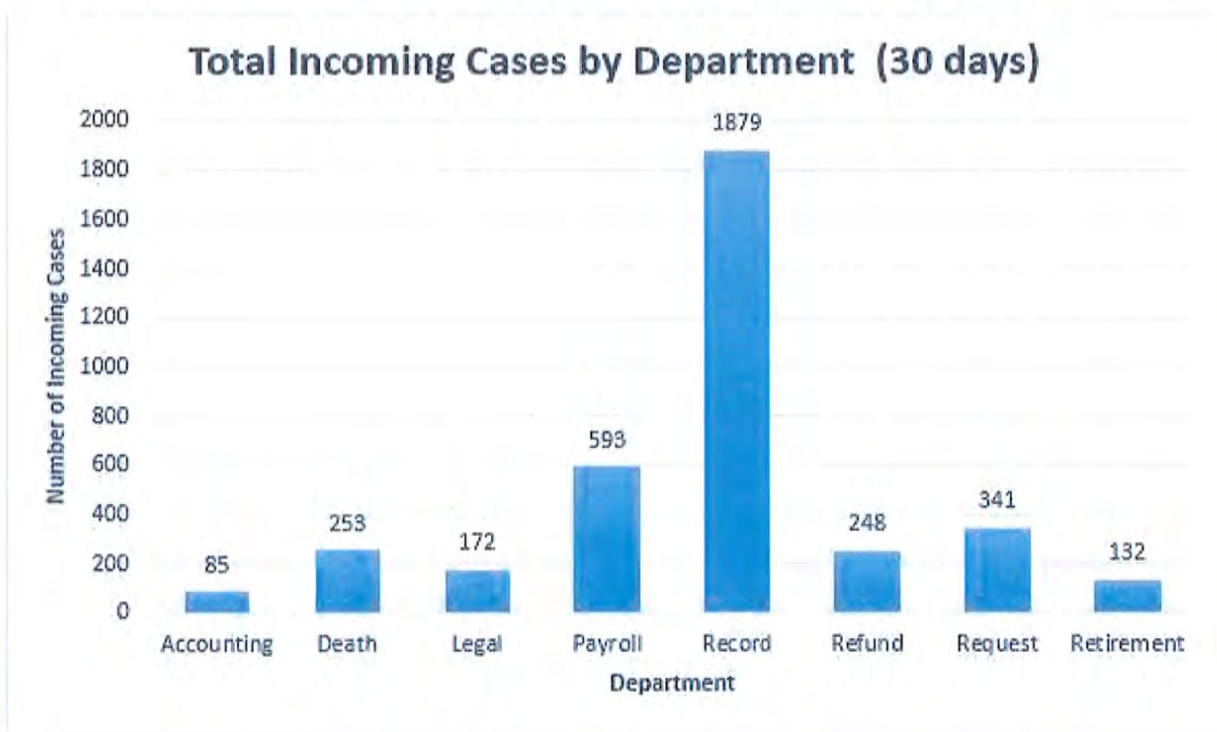
Utilizing a risk-based approach, we obtained a listing of contributing PERA members as of January 8, 2024, and selected a sample of 20 members that began contributing between November 1, 2023, and December 16, 2023. We tested this sample to determine whether the member's RIO account contained an Application for PERA Membership Form and that the form was filed in the folder labeled "Application" within RIO.

In addition, we received a listing of all PERA retirees as of January 8, 2024, and filtered to show retirees with a retirement date between February 1, 2023, and January 8, 2024. We selected a random sample of 20 retirees and tested to determine whether the retiree's RIO account contained an Application for Pension Form and that the form was filed in the folder labeled "Enrollment" within RIO.

Processing of Cases

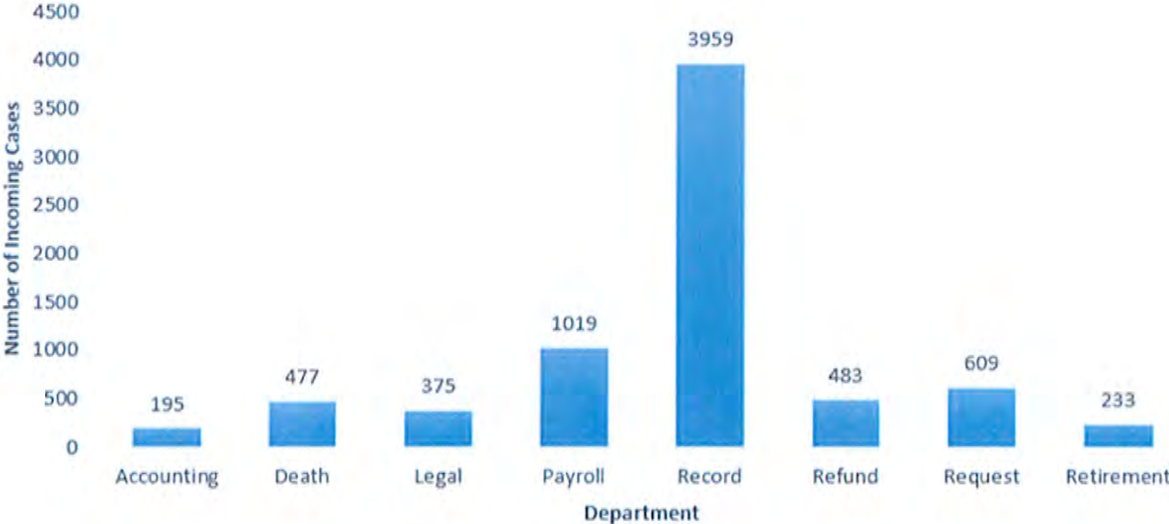
We conducted interviews with Records Department staff and performed walkthroughs of Case Manager, the program used by PERA to track cases. During walkthroughs, CLA reviewed and analyzed data within Case Manager. As of 1/23/2024, Case Manager data showed the following:

In the last 30 days, 1,879 of 3,703 (50.7%) of incoming cases are within the Records Department.



In the last 60 days, 3,959 of 7,350 (53.9%) of incoming cases are within the Records Department.

Total Incoming Cases by Department (60 Days)



Per inquiry with Records Department staff, if a form is incomplete or additional information is needed from the member, Records Department staff will “pend” the case. When this occurs, the member is notified via a physical letter that they have 30 days to provide the requested items.

Internal Audit Results

Observations

1. Lack of Policies and Procedures

Observation: During our discussions with PERA staff, walkthroughs performed, and review of current policies and procedures, we noted several processes being followed by PERA staff are not documented in written policies and procedures.

The following processes are not documented within the department's policies and procedures:

- Quality control checks as well as the process for validating and verifying documents;
- The process for contacting members/retirees when they submit an incomplete or inaccurate form;
- Information required to be included on each form;
- The process followed when an inaccurate or incomplete form is received.

Recommendation: We recommend that the processes listed above are properly documented in policies and procedures and made available to all PERA staff members. Once documented, we recommend policies and procedures be reviewed annually.

Management's Response: Management agrees that written policies and procedures are not currently in place for the processes listed above. Written policies and procedures may assist with consistency in forms accepted and increased accuracy in member accounts. Management will work on documenting policies and procedures for the processes listed above. After the policies and procedures are documented, they will be made available to all PERA staff members and reviewed as needed. Management will implement documented policies and procedures for the processes listed above by the end of the first quarter of fiscal year 2025.

Process Recommendations

1. Employer Education

During our discussions with PERA staff and walkthroughs performed, we noted that employers have the ability to enter data for their employees directly into RIO; however, a limited number of employers utilize this capability. Because this is not a required process for all employers, PERA staff must perform the data entry for many employers. Per PERA staff, when employers enter data, it causes less of a strain on PERA and the Records Department. It also decreases the need for manual data entry and decreases the number of cases that are created and fall under the responsibility of the Records Department.

We recommend that PERA provide additional education to employers that outlines the process to enter data into RIO for their employees. After proper education has been conducted, we recommend PERA require all employers to enter their employee data. This will create consistency among employers and allow PERA staff to serve as the reviewer of data.

2. Cross Training

There is limited cross training between the Records Department and other departments of PERA. We recommend implementing a base level of cross training between departments. To start, making sure

individual department policies and procedures are available to all PERA staff members. The benefits of implementing cross training include the following:

- Forward thinking and succession planning
- Backup plan in the event of unexpected turnover or absences
- Increased collaboration among staff members
- Improved productivity and efficiency

3. PERA Forms

During discussions with PERA staff, walkthroughs, and review of forms, we noted that there are approximately 30 forms that are received and imaged by the Records Department. We recommend evaluating the purpose of each form to ensure that they are needed. Additionally, we recommend reviewing these forms annually.

4. Controls over Verification

During discussions with Records Department staff and walkthroughs performed, we noted that the same individual has the ability to perform the following functions:

- Validate a member's identity;
- Verify the type of form;
- Perform the quality control check for the form.

Additionally, we identified three errors that were a result of manual data entry. These errors included a misspelled name, an incorrect date of birth, and an incorrect hire date. Following our procedures, we confirmed with PERA management that these errors were subsequently corrected by PERA's compensating internal controls. We understand that limited staffing has impacted the Records Department, however, to allow for proper segregation of duties, it is best practice to have separate individuals perform these checks to ensure that manual data entry is correct.

5. Filing Process for Member Forms

During walkthroughs of member RIO accounts, we identified inconsistencies in the filing system of documents. Based on discussions with PERA staff, these inconsistencies occur when documents are uploaded through the self-service portal. We recommend that PERA create a standardized process for naming and organizing forms within RIO. Additionally, we recommend management consider opportunities for automation. See process recommendation over automation for detail.

6. Automation

During discussions with PERA staff, walkthroughs, and testing, we identified several opportunities for PERA to increase efficiencies by implementing digital automation. These opportunities include the following:

- **Manual Data Entry, Validation and Verification:** Consider requiring forms be completed electronically, rather than handwritten. If required forms were completed electronically, validation checks could be performed before each PERA member submits their form. This would reduce cases of inaccurate, invalid, or incomplete submissions. This could also eliminate the need to have all documents scanned into Kofax. If conversion to electronic forms is not possible, consider exploring the untapped capabilities of the Kofax system and how it could be leveraged to automate the existing process. In capturing the written data electronically, this would allow a validation to be performed to verify the validity, accuracy, and completeness of the information. Invalid data would be flagged for further review and follow-up.

- **Filing Process for Member Forms:** Consider creating a standardized folder structure for all member accounts in RIO. In addition, consider developing a consistent process for naming and organizing forms within the standardized folder structure in a members account. By implementing Power Automate and/or a PDF reader, PERA could utilize technology to scan documents, detect forms and recognize unique identifiers, such as a PERA member ID. The form would be filed using a standardized naming structure into the appropriate PERA member folder. Forms that were flagged during the process could be manually reviewed.
- **Notifications to Members:** When the Records Department is pending information on a form such as a signature, notary, incomplete form, etc., PERA sends a physical letter to the member requesting the information. This letter is automatically generated and printed by the system and mailed by PERA staff the following day. Consider enhancing this process by also sending emails, through an automated process, to accompany the physical letter. As part of this process, a listing of undelivered emails could be made available for review.
- **Customized Case Management Dashboard:** Following the implementation of the automated processes noted above, consider the implementation of a customized case management dashboard report to monitor the process with more transparency. The dashboard would complement the overall future state so that management can see case status counts, document counts, etc. The dashboard could be tailored to show details that are most important to management.

By implementing automation in different areas of the records process, the number of cases will decrease which will allow the Records Department to focus their time and effort into other areas, such as quality control and verification.

Conclusion

We appreciate the opportunity to assist PERA management as they continue to focus on improvements related to their internal controls over records management. Management and staff interviewed were a pleasure to work with and open to sharing their opinions and knowledge. The cooperation and excellent assistance we received were invaluable to the outcome of this project. We greatly appreciate the professional courtesy extended to our staff during the audit.

The operational and administrative controls as of March 31, 2024 did reveal opportunities for improvement. The items addressed and the recommendations contained within the report can facilitate the resolution of items noted. Since the purpose of this engagement is to suggest potential areas for improvement, favourable matters are not addressed.



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**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
EMPLOYER OUTREACH AND EDUCATION**

INTERNAL CONTROL ASSESSMENT REPORT

MAY 30, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

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Board of Trustees of the Public Employees Retirement Association (PERA)
and Audit and Budget Committee
Santa Fe, New Mexico

This report provides you, Public Employees Retirement Association (PERA), the Contribution Accounting Bureau, Member Outreach Bureau, and PERA management, with the results of the Internal Control Assessment on employer outreach and education.

Our services were performed in accordance with statement on standards for consulting services established by the American Institute of Certified Public Accountants.

CliftonLarsonAllen (CLA) was not engaged by PERA to conduct a financial audit, for which the objective would be the expression of an opinion on the financial statements. Had we been hired to perform an audit of financial information in accordance with U.S. generally accepted auditing standards, other issues may have come to our attention that would have been reported to you. Therefore, we express no opinion on the effectiveness of PERA's controls over all or any part of its financial statements.

In addition, the procedures performed by CLA are not a substitution for management's responsibility to maintain a system of controls to mitigate risk. The Internal Control Assessment was designed to provide PERA insight to inherent and specific risks and deficiencies throughout the organization regarding employer outreach and education. Our procedures alone cannot identify errors and irregularities related to the scope of this project.

We appreciate the opportunity to assist PERA in performing this assessment. Management and staff involved in the process were a pleasure to work with and very open to sharing their opinions and knowledge. This cooperation was invaluable to the outcome of this project. If you have any questions, please feel free to contact us for assistance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
May 30, 2024

Executive Summary

CliftonLarsonAllen LLP (CliftonLarsonAllen or CLA) performed an internal control assessment over employer outreach and education to assess whether internal controls are suitably designed and operating effectively to achieve control objectives. The internal control assessment was performed as a result of the PERA's understanding of the importance of internal controls in their processes and holding themselves accountable. CLA performed the assessment from February 22, 2024, through May 2, 2024.

Interviews were performed with key personnel and process owners to gain an understanding of the processes, risks, and internal controls. After the interview process, CLA performed operating effectiveness testing; specifically performing walkthroughs of processes and internal controls with the key personnel including inquiry, observation, and inspection of documentation.

Based on the results of the procedures performed, CLA developed this report to communicate and address the following:

- Control activities
- Observations identified during the assessment
- Recommendations and best practices

The following areas were identified as in-scope for the employer outreach and education internal audit:

- 1) Employer Handbook
- 2) Employer Trainings
- 3) Scheduling and Tracking of Employer Trainings

Objectives and Scope

The objective of the internal audit was to perform an internal control assessment over employer outreach and education for PERA, specifically the following:

- Perform interviews with key personnel;
- Review relevant PERA policies and procedures;
- Evaluate the design and operating effectiveness of current processes and internal controls;
- Conduct walkthroughs over various processes to evaluate the design and operating effectiveness of current processes and internal controls; and
- Propose future changes that mitigate risk and better support internal controls.

CLA performed the following procedures with regards to employer outreach and education:

Employer Handbook

We conducted interviews with PERA staff and reviewed the resources available to employers through PERA's website. We inquired to determine whether a handbook is available as a resource for employers. We obtained a copy of the PERA Employer Guide, effective July 1, 2010, to evaluate whether the information was accurate based on current procedures. Additionally, we reviewed handbooks for several other state pensions to evaluate best practices for employer guides.

Employer Trainings

We obtained employer related training materials developed and utilized by the Contribution Accounting Bureau and the Member Outreach Bureau. We reviewed the training materials to determine whether the resources were comprehensive and aligned with current procedures. In addition, we reviewed the following employer related training materials on PERA's website:

- Reporting 101 Training
- Forms Training
- Rio Overview Training
- Reporting – Upload Training
- Reporting – Copy Forward Training
- Reporting – Manual Training
- Correcting/Editing PERA Reports Training
- Adjustment Report Training
- Termination Reporting
- Volunteer Firefighter Retirement Program Overview
- Volunteer Firefighter Annual Reporting Guidance

We assessed the training materials to determine whether the resources were consistent, complete, and accurate based on current processes. In addition, we reviewed other state pension websites to evaluate best practices in regards to trainings, materials, and resources that are provided to employers.

Scheduling and Tracking of Employer Trainings

We conducted interviews with staff to determine the current process for tracking and scheduling of employer trainings. We obtained a listing of employer trainings conducted by the Contribution Accounting Bureau for the period January 1, 2023, through March 14, 2024. The listing contained the training date, employer name, and content provided for each session. At the time of testing, a formalized tracking mechanism for the employer trainings was not in place; therefore, the listing was prepared by PERA based on calendars, emails, and previous knowledge of trainings held.

Based on the listing of trainings, there was a total of 37 sessions covering 11 topics, held with 24 employers. A total of 202 employers are assigned to contribution accounting staff; the bureau held trainings with 24 employers for the period January 1, 2023, through March 14, 2024, resulting in approximately 12% coverage. Training details are as follows:

Training Topic	Number of Trainings	Percentage of Total
Adjustment Process	4	11%
Clearing Suspended Records	2	5%
Employer Reporting	3	8%
Non-Deferred vs. Deferred Tax Treatment	1	3%
Payroll Process	18	48%
PERA Forms	1	3%
Plan Inquiry	1	3%
Reconcile Report	1	3%
Returning Retirees	1	3%
Settlement Process	3	8%
Unremitted Contributions Process	2	5%
Total	37	100%

In addition, we obtained and reviewed a listing of trainings provided by the Member Outreach Bureau to the Volunteer Fire Departments (VFD) for the period November 1, 2023, through March 15, 2024. The listing contained the training date, VFD name, and the type of training that took place. At the time of testing, trainings were not being tracked, therefore, the listing was prepared by the Member Outreach Bureau based on calendars, emails and previous knowledge of trainings held. Of the 17 trainings took place:

- 13 trainings were over annual reporting;
- 4 trainings were over suspended reports;
- 3 trainings were online sessions that were available to all VFD's and posted on NM PERA's website;
- 14 trainings were held with individual VFD's.

In addition to the formal trainings provided by the Member Outreach Bureau and Contribution Accounting Bureau, PERA staff routinely respond to an extensive number of emails from VFD's and employers requesting guidance and clarification.

Internal Audit Results

Process Recommendations

1. Employer Handbook

The most recent employer handbook was last updated in July 2010; we recommend performing a review and updating the handbook to incorporate current processes and procedures to be utilized as a resource for employers. Moving forward, we recommend the handbook be reviewed and updated on an annual basis. Additionally, we recommend that the employer handbook be distributed to all employers and made available on PERA's website. The following components could be considered during the revision of the handbook:

- Overview of retirement system and the types of employers that report
- Membership eligibility, rules, and employer responsibilities
- Reportable compensation
- Eligibility and plan information for various types of employees (i.e. full-time, part-time, volunteer, new employee, retirees returning to work, temporary/seasonal employees, service breaks, military service, etc.)
- The process for terminations and retirements
- Service credits and how they are earned
- Adjustment reporting
- Any special conditions for employers
- RIO overview (alternatively, create a separate RIO user guide)

2. Employer Trainings

Based on our review of employer trainings and PERA's website, we recommend PERA consider the implementation of the following:

- *Employer Trainings on PERA Website:* As of the date of fieldwork, the website included videos with voiceover that guide viewers through the training, along with presentation slides that are available for download. We recommend reviewing the website content on a regular basis to ensure videos load correctly and content is available for download.
- *Schedule of Trainings:* We recommend PERA staff develop a schedule or calendar to publish on the website that includes live webinars or trainings. The sessions could be brief training with a specific topic highlighted each month.
- *Tracking of Employer Trainings:* We recommend PERA develop a tracking mechanism for personalized trainings that are conducted with employers. This will allow staff to analyze which employers have been reached, common training topics, and amount of time dedicated to holding these trainings. By having this information, PERA would be prepared to make informed decisions on trainings to record for the website, identify areas where employers may need additional support, and determine the most efficient way to allocate staff time and resources to meet ongoing goals and objectives.
- *Enhancements to PERA Website:* Currently, there is a page for employers on NM PERA's website for RIO System Information. We recommend having the "RIO Overview Training" available on this page as well. Alternatively, consider preparing a RIO user guide that compliments the employer handbook and make the user guide available on this website page. Also, based on common questions and inquiries that come from employers, we recommend implementing a frequently asked questions (FAQ) page.

Based on our review of volunteer fire department trainings and materials available on PERA's website, we recommend implementing the following:

- There is currently no information for volunteer firefighters under the employer section of the website. We recommend including volunteer firefighter annual reporting guidance materials and trainings on the employer page of the website.
- Based on common questions and inquiries that come from VFD's, we recommend implementing a frequently asked questions (FAQ) page.

Conclusion

We appreciate the opportunity to assist PERA management as they continue to focus on improvements related to employer outreach and education. Management and staff interviewed were a pleasure to work with and open to sharing their opinions and knowledge. The cooperation and excellent assistance we received were invaluable to the outcome of this project. We greatly appreciate the professional courtesy extended to our staff during the audit.



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INVESTED IN TOMORROW.

PERA Fiscal Year 2024 May 31, 2024 Budget Projection

Category	FY24							
	Beginning Budget	Budget Adjustment Requests/Special Appropriations	Adjusted Budget	Expended Year-To-Date	Encumbered Year-To-Date	Projected Expenditures to Year End	Total Projected Expenditures	Projected Variance
200	9,913,440	300,000	10,213,440	8,941,245	-	1,037,665	9,978,910	234,530
300	25,968,800	(220,000)	25,748,800	13,384,145	10,528,756	96,201	24,009,102	1,739,698
400	4,258,200	220,000	4,478,200	3,350,961	590,780	502,766	4,444,507	33,693
Total	40,140,440	300,000	40,440,440	25,676,351	11,119,536	1,636,632	38,432,519	2,007,921

200 Category – Personal Services and Employee Benefits

- As of May 31, 2024, PERA had 4 vacant positions and an FTE vacancy rate of 4.60 percent.
- PERA’s Fiscal Year (FY) 2024 operating budget has a budgeted vacancy rate of 3.75 percent.

300 Category – Contractual Services

- The Contractual Services category includes \$24.2 million in investment contracts for consultants and money manager fees.

400 Category – Other

- A category transfer of \$220,000 from the Contractual Service category to the Other category was completed to address the projected budget shortfall due to new boilers installed in PERA’s Santa Fe office.

