

Commonwealth of Pennsylvania
Public School Employees' Retirement System
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To: Bylaws/Policy Committee

From: Joseph E. Wasiak Jr., Assistant Executive Director

RE: Change to the Statement of Organization, Bylaws and Other Procedures

Date: October 3, 2017

1. At their September 2017 meeting, the Audit Compliance Committee reviewed and accepted their proposed duties and responsibilities for inclusion in the Statement of Organization, Bylaws, and other Procedures (Bylaws). It is now up to the Bylaws/Policy Committee to formally approve these proposed changes to the Bylaws. Below you will find the narrative that will be included as paragraph (b) Audit/Compliance Committee of **Section 4.2. Duties and Responsibilities** of the Bylaws.

“(b) Audit/Compliance Committee. Audit/Compliance Committee shall oversee the auditing of all financial information; shall meet with the external financial auditors each year prior to the annual financial audit to review the audit plan and to identify other areas of the operations that should be reviewed; and shall, meet with the external financial auditors at the conclusion of the financial audit to review the audit results, including any recommendations, difficulties encountered and any significant adjustments proposed by the auditors; shall review the effectiveness of the Agency’s system for assessing, monitoring, and controlling significant risks or exposures; shall oversee the evaluation and monitoring of the internal control system by internal and external auditors; shall review the findings and recommendations of the external auditors along with management’s responses and actions taken to implement the audit recommendations; shall ensure the Internal Audit Office performs compliance reviews with applicable laws, regulations, rules, board and management policies, directives and generally accepted business practices related to benefits administration, investments, finance, healthcare, information technology and communications; shall review the findings and recommendations of any examination by regulatory agencies, any auditor’s observations related to compliance, management’s responses, and actions taken to implement the audit observations/recommendations; shall oversee special investigations and whistleblower cases, as needed; shall provide conflict resolution of all disputes between management and the internal and/or external auditors regarding the

financial reporting process, risk assessment, internal control, and other compliance issues; and shall assist the Board by any other means to fulfill its responsibilities relating to the audit, review, and oversight of the Agency's function and finances.

The Audit/Compliance Committee is responsible for the oversight of the Internal Audit Office; and shall meet with the Internal Auditor to review and adopt the Agency's annual audit plan and receive periodic updates on the audit plan; shall meet with the Internal Auditor to review the status of audits, review the audit findings and recommendations, management's responses, and actions taken to implement the audit recommendations; shall review and approve the Internal Audit Charter; shall ensure there are no unjustified restrictions or limitations on the internal audit function; shall review the effectiveness of the internal audit function by having an external quality assessment completed; and shall provide input to the Executive Director on the performance of the Internal Auditor, at least annually.

2. With the approval of this change to the Bylaws the Board will complete the final step in the process to establish the Audit/Compliance Committee. Questions regarding these duties and responsibilities should be forwarded to either Alicia James (alijames@pa.gov or 717-720-4628) or Joe Wasiak (jowasiak@pa.gov or 717-720-4603).