Audit Committee

Schedule	Monday, September 28, 2026 8:30 AM — 9:00 AM CDT
Venue	ATRS Board room
Organizer	Tammy Porter

Agenda

1. Roll Call/Call to Order

For Approval

Presented by Maggie Garrett

2. Adoption of Agenda

For Approval

Presented by Maggie Garrett

3. Approval of June 1, 2026, Minutes

For Approval

Presented by Maggie Garrett

MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
AUDIT COMMITTEE MEETING

Monday, June 1, 2026
8:30 a.m.
1400 West Third Street
Little Rock, AR 72201

ATTENDEES

Audit Committee Members Present
Maggie Garrett, Chair
Jeff Stubblefield, Vice Chair
Glen Grayham
Dr. Mike Hernandez
Jason Brady, designee for Hon. Dennis Milligan, State Auditor

Board Members Present
Kelsey Bailey
Keri Hamilton
Michael Johnson
Danny Knight
Bobby Lester
Arthur "Chip" Martin, III
John Ward
John Ahlen, designee for Ms. Susannah Marshall, Bank Commissioner
Kelly Griffin, designee for Jacob Oliva, Sec. Department of Education
John Thurston, State Treasurer

Reporter's Present
Mike Wickline, AR Democrat Gazette

ATRS Staff Present
Mark White, Executive Director
Rod Graves, Deputy Director – Investments
Sarah Linam, Deputy Director
Tammy Porter, Board Secretary
Kevin Chadwick, Internal Auditor Supervisor/Expert
Braeden Duke, IT Infrastructure Analyst
Demetrios Gulley, Auditor II
Ryan Hill, Ret. System Administrator*
Jennifer Kelly, Attorney III*
Manju, Chief Information Officer I

Steve Parkinson, Ret. System Administrator
Amber Sevilla, Executive Assistant
Misty Yant, Chief Fiscal Officer
Stephanie Yoel, Administrative Analyst

Guest Present
Bill Huffman, State Treasurer's office
Miachael Henry, State Treasurer's office
PJ Kelly, AON Hewitt Investment Consulting
Jack Dowd, AON Hewitt Investment Consulting
Kyle Straube, DFA
Scott Olguin, DFA
Bill Huffman, State Treasurer's Office
Cyril Espanol – with Intelligence*
Mark Maraccini – Crowe*
Jesse.Pound*
Kavita Zeeshan – Crowe*

**** ZOOM***

1. **Call to Order/Roll Call.** Ms. Maggie Garrett, Chair, called the Audit Committee meeting to order at 8:31 a.m. Roll call was taken. All members were present.

2. **Adoption of Agenda.**

   Dr. Hernandez *moved* for *adoption* of the agenda. Mr. Brady *seconded* the *motion,* and the Committee *unanimously approved the motion.*

3. **Approval of April 6, 2026, Minutes.**

   Mr. Brady *moved* to *approve* the April 6, 2026, Audit Committee minutes as presented. Mr. Grayham *seconded* the *motion*, and the Committee *unanimously approved the motion.*

4. **Independent Validators Report on Internal Audit Quality Self-Assessment.** Mr. Chadwick introduced Kavita Zeeshan and Mark Marciccini from Crowe. Mr. Marciccini presented the Committee with the Report on the Internal Audit Quality Self-Assessment.

   Mr. Brady *moved* to *approve* the Independent Validators Report on Internal Audit Quality Self-Assessment. Ms. Stubblefield *seconded the motion,* and the Committee *unanimously approved the motion.*

5. **Proposed Audit Plan for FY2027.** Mr. Kevin Chadwick presented the Committee with the Proposed Audit Plan for FY2027.

   Mr. Brady *moved to approve* the Proposal Audit Plan for FY2027. Dr. Hernandez s*econded the motion,* and the Committee *unanimously approved the motion.*

6. **Other Business. None.**

7. **Adjourn.**

   Mr. Stubblefield *moved* to *adjourn* the Audit Committee Meeting. Mr. Grayham *seconded* the *motion*, and the Committee *unanimously approved the motion.*

   Meeting adjourned at 9:12 a.m.

Mr. Kevin Chadwick Internal Audit Supervisor/Expert	Ms. Maggie Garrett, Chair Audit Committee
Tammy Porter, Board Secretary	Date Approved

4. Legislative Implementation Audit Report

Presented by Kevin Chadwick

Arkansas Teacher Retirement System

July 6, 2026

Internal Audit Unit

Audit Report

Legislative Implementation

Project Number: **26-ASSURE-005**

Chief Auditor: Kevin Chadwick, CIA
501-682-1517 ext. 2303
kevinc@artrs.gov

Audit Lead: Demetrios Gulley
501-682-1517 ext. 2302
demetriosg@artrs.gov

1400 West Third Street
Little Rock, AR 72201
501-682-1517

TABLE OF CONTENTS

Report Summary

Detailed Observations

OVERALL CONCLUSION

Based on the procedures performed, the Arkansas Teacher Retirement System (ATRS) implemented the legislative requirements enacted by the 95th Arkansas General Assembly, except for two required form and letter updates that were completed after July 1, 2025, effective date. All other communication, approval, and process-related controls were operating as intended, and no additional exceptions were identified across the remaining audit steps.

Our work was conducted in conformance with the Global Internal Audit Standards. These standards require that we plan and perform our work to obtain reasonable assurance that the objectives of the engagement are achieved. We believe that the evidence obtained provides a reasonable basis for the conclusion stated in this report.

Kevin Chadwick, CIA
Chief Audit Executive

EXECUTIVE SUMMARY

Report No.26-ASSURE-005	July 6, 2026

Why did we conduct the audit?

The audit was conducted to determine whether Arkansas Teacher Retirement System (ATRS) procedures had been updated to reflect legislation enacted by the 95th Arkansas General Assembly and to assess whether related processes were operating effectively and efficiently as of June 2026.

What did we audit?

We audited ATRS processes for implementing required legislative revisions, including updates to forms and letters, communication of legislative changes to members, and the internal approval and submission workflow for system updates. We also evaluated whether ATRS followed its interim procedures for managing revisions in the absence of a formal Standard Operating Procedure.

What did we find?

- Two required forms and letter updates were not completed by the mandated July 1, 2025, effective date and were finalized after the required deadline.
- ATRS effectively communicated the 2025 legislative revisions to members through its website and updated materials.
- ATRS followed its interim approval workflow for revising forms and letters, and all required signatures and submission sequences were properly completed.
- The interim process communicated in the June 27, 2025, memorandum was consistently followed, despite the absence of a formal Standard Operating Procedure.
- No additional exceptions were identified across the remaining audit steps.

What did we recommend?

- Initiate revision requests at least 30 days prior to effective legislative dates to support timely completion.
- Strengthen use of the Current Form or Letter Check Sheet to ensure approvals, revision dates, and Information Technology (IT) production dates are consistently documented.
- Finalize and adopt a formal Standard Operating Procedure for updating forms and letters in response to legislative changes.

STATUS OF OBSERVATIONS AND FINDINGS

Status	Type	Follow-Up Date	Finding #	Sec. & Rec.	Page #
Opportunity for Improvement	Untimely Implementation of Required Updates	7/20/2026	1	A	2
Adequate	Legislative Communication to Members	N/A	N/A	B	2
Adequate	Interim Process for Updating Forms and Letters	N/A	N/A	C	3
Adequate	DP Help Ticket System Submission Workflow	N/A	N/A	D	3

Status Definitions	
Adequate	An observation is made that policy is well written and control activities are properly designed and operating as intended.
Opportunity for Improvement	An observation or immaterial finding is made where one of the following is true: • Less than a 10% error rate resulted for tests conducted. • Above a 10% error rate resulted for tests conducted but the impact of the related risk, if the risk were to occur, is insignificant. AND/OR a recommendation is made as an opportunity for improvement where one of the following is true: • Written policy could be improved to clarify management's objectives. • Strengthening control design would better mitigate the potential for loss, misappropriation, or inaccurate reporting. • Inefficiencies in implementing control activities may cause the area under review to fail in reaching minor objectives. The auditor may assign this rating if the Section Head can implement improvement(s).
Improvement Required	A material finding resulted for a test conducted where either: • A 10% to 25% error rate resulted for tests conducted and the impact of the related risk, if the risk were to occur, is more than insignificant. • An error rate above 25% resulted for tests conducted but the impact of the related risk, if the risk were to occur, is insignificant. AND/OR a recommendation is made where the case of the condition indicates that improvement is required to meet ATRS administration's expectations. Examples include, but are not limited to: • Non-compliance with ATRS policy or other regulations has occurred, including but not limited to, failing to create, complete, or retain required documentation. • A significant opportunity exists for material gains in operational efficiency. • Management of the area under review is risking a negative financial impact, legal jeopardy, or damaged reputation at a higher level than management's tolerance. • Management oversight should be implemented as a control activity to mitigate the risk. The auditor may assign this rating if a Unit Manager should be involved in developing and implementing control activities to mitigate the risk.
Significant Issue	A material finding resulted for a test conducted where either: • A 25% to 50% error rate resulted for tests conducted and the impact of the related risk, if the risk were to occur, is more than insignificant. • An error rate above 50% resulted for tests conducted but the impact of the related risk, if the risk were to occur, is moderate. AND/OR a recommendation is made where one or more of the following is true: • Post audit review reveals little, or no effort has been made to implement corrective action(s) to a previous audit finding where improvement was required. • Multiple Sections, Units, or Members are affected by the issue and a significant opportunity exists for material gains in operational efficiency. The auditor may assign this rating if the Deputy Director should be involved in developing and implementing control activities to mitigate the risk.
Critical Issue	A material finding resulted for a test conducted where: • 50% or more error rate resulted for tests conducted and the impact of the related risk, if the risk were to occur, is more than insignificant. AND/OR a recommendation is made where one or more of the following is true: • Post audit review reveals little, or no effort has been made to implement corrective action(s) to a previous significant issue. • Substantial losses, including those attributed to fraud, waste, or abuse have occurred. The auditor may assign this rating if the Executive Director or Board of Trustees should be involved in developing and implementing control activities to mitigate the risk.

BACKGROUND

The Arkansas Teacher Retirement System (ATRS) is responsible for administering retirement benefits for eligible members and ensuring that its processes, forms, letters, and member communications align with statutory requirements. Legislative changes enacted by the 95th Arkansas General Assembly required updates to ATRS forms, letters, and procedures, effective July 1, 2025, related to Gap Service (ACT 227), the Disability Retirement Benefit Letter, and Survivor Letters for 18-Year-Old Custodians, 18-Year-Old Survivors, and Survivors with Dependent Children. As part of its operational responsibilities, ATRS must revise impacted documents, obtain required internal approvals, implement updates in the Arkansas Teacher Retirement Membership Information System (ATRMIS), and communicate legislative changes to members through appropriate channels.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objective of this engagement, as defined in the 2026 Annual Internal Audit Plan, was to determine whether ATRS procedures had been updated to reflect legislation enacted by the 95th Arkansas General Assembly. Additional objectives developed during the audit included evaluating whether ATRS effectively communicated legislative revisions to members and determining whether the interim workflow for form and letter updates were consistently followed.

Scope

The scope of this engagement included reviewing ATRS processes for updating forms, letters, and communication materials impacted by the 2025 legislative revisions. Audit procedures covered activity related to July 1, 2025, required implementation date and included the review of legislative materials, form and letter updates, communication postings, approval workflows, and Information Technology (IT) submission records. Audit testing and documentation review were performed between May and June 2026.

Methodology

To meet the engagement objectives, auditors reviewed applicable legislation, examined supporting documentation for form and letter revisions, evaluated the timeliness of required updates, and reviewed communication materials provided to ATRS members. Audit procedures also included assessing approval workflow, confirming adherence to the interim process for form and letter updates, and reviewing DP Help Ticket System records. Additional steps included reviewing website postings to verify that legislative updates were accurately and completely communicated to members.

OBSERVATIONS, FINDINGS, AND RECOMMENDATIONS

A. *Untimely Implementation of Required Updates:*

Act 223 of the 2025 Legislative Session established July 1, 2025, as the effective date for implementing required form and letter updates. This deadline ensures accurate and timely administration of benefits, reporting, and contribution requirements.

Internal Audit conducted a review of the Application for Purchase of Gap Service, the Survivor Determination and Initial Application Form, and the ATRS Retirement Benefit Statement letter to determine whether revisions required by Act 223 were completed by the July 1, 2025, effective date. As part of this review, ticketing records were examined to evaluate the version controls associated with revision requests submitted to the Information Technology (IT) Unit. The review confirmed that version controls were properly documented and retained within the DP Help Ticket System.

Each document was compared to applicable legislative requirements to verify whether updates were completed and submitted to the IT Unit within required timelines.

Report No.26-ASSURE-005 Section A	**Finding No. 1**
Required updates to the Application for Purchase of Gap Service and the ATRS Retirement Benefit Statement letter, were not completed by July 1, 2025, effective date. Ticketing records showed that revisions to the Application for Purchase of Gap Service were updated by IT on August 7, 2025, and the ATRS Retirement Benefit Statement letter reflected a revision date of July 31, 2025. Both updates were finalized after the effective date. The Operations Unit did not submit the required revision requests and associated Current Form or Letter Check Sheets in sufficient time for IT to complete updates by the mandated effective date. Documentation was not provided to IT before the deadline, resulting in delayed processing and implementation. Failure to implement required updates by the effective date resulted in noncompliance with Act 223. Untimely revisions increased the risk that members may have received outdated or inaccurate benefit information between July 1, 2025, and the date updates were finalized.	Opportunity for Improvement
Report No.26-ASSURE-005 Section A	**Recommendation No.1**
It is recommended that management initiate revision requests at least 30 days prior to mandated effective dates to allow adequate time for review, approval, and IT implementation. The Operations Unit is also encouraged to enhance the consistency and completeness of the Current Form or Letter Check Sheet to ensure that required approvals, revisions dates, and IT production dates are fully documented.	
Report No. 26-ASSURE-005 Section A	**Management Response No. 1**
I started my role as Director of Operations on July 1, 2025. The Operations Unit appreciates the thorough audit process that Internal Audit provided for this project. Operations fully agrees that legislative session change effective dates are extremely important for complying with State law, as well as fulfilling the agency's obligation to ensure document accuracy for our members when new laws are enacted. Operations also agrees that the steps needed to ensure future compliance will be completed prior to	

effective dates. Specifically, Operations will submit the appropriate documents to Communications and IT for their respective approval and production cycles no less than 30 days prior to the laws effective date, which will allow adequate time for all units to complete their portion and bring the agency into full compliance. Thanks again for this opportunity to improve our processes.

Report No. 26-ASSURE-005 Section A	Audit Follow-Up No. 1
Internal Audit notes that several forms and letters were revised after July 1, 2025, effective date established by Act 223. However, the Operations Unit has since completed all required revisions, and the documents now reflect the legislated changes. At this time, all necessary actions have been completed.	

B. *Legislative Communication to Members:*

Auditors reviewed ATRS website postings and member communication materials to verify that information about the 2025 legislative revisions was accurately presented and made available to members.

Report No.26-ASSURE-005 Section B	Observation
The review of ATRS website postings and related communication materials confirmed that the 2025 legislative revisions were accurately communicated to members and made accessible through appropriate channels. There were no findings as a result of this audit test.	Adequate

C. *Interim Process for Updating Forms and Letters:*

Auditors noted that the Arkansas Teachers Retirement System does not currently have a written Standard Operating Procedure (SOP) for revising forms and letters. However, an interim process has been established and communicated through the June 27, 2025, memorandum. For this review, auditors evaluated whether ATRS followed the steps outlined in that memorandum, such as obtaining approvals, documenting version control updates, and placing revised documents into circulation.

Documentation showed that each step of the interim workflow was completed as required, and no exceptions were identified. Although ATRS applied the interim process consistently and no findings resulted from this audit test, establishing a formal Standard Operating Procedure (SOP) remains a best practice. A standardized operating procedure would help ensure long-term consistency, strengthen internal controls, and promote uniform updates over time.

Report No.26-ASSURE-005 Section C	Observation
The review of ATRS documentation confirmed that the agency has not established a formal Standard Operating Procedure (SOP) for updating forms and letters; however, the interim process communicated in a June 27, 2025, memorandum was consistently followed.	Adequate

D. DP Help Ticket System Submission Workflow:

Auditors reviewed approval documentation and DP Help Ticket System records to assess whether revised forms were submitted to Information Technology only after all required approvals were completed. Following the established approval sequence helps ensure that only authorized and validated revisions are implemented, which supports internal controls and maintains the accuracy of member-facing documents. The review was based on the interim workflow communicated to ATRS staff, which requires that managerial approvals be documented before a DP Help ticket is created for implementation. The required sequence was consistently followed, and there were no findings as a result of this audit.

Report No.26-ASSURE-005 Section D	Observation
The review of Current Form or Letter Check Sheets and corresponding DP Help Ticket System records confirmed that all required approvals were obtained before revised forms were submitted to Information Technology for implementation. For each form tested, the DP Help ticket was created after the final managerial approval date, as required by the interim workflow. No exceptions were identified during this test.	Adequate

DISTRIBUTION

All intended recipients of this report are listed below.

ATRS Board of Trustees Audit Committee
Mark White, Executive Director
Sarah Linam, Member Services Deputy Director
Misty Yant, Chief Fiscal Officer
Steve Parkinson, Retirement System Administrator
Anne Marie Berardi, Director of Outreach Retirement System

This report is intended solely for the information and use of the Arkansas Teacher Retirement System Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties. However, the final audit report is a public record to the extent that it does not include information which has been made confidential and exempt from the provisions of A.C.A §25-19-105, pursuant to law and upon request shall be made available for public inspection.

5. Annual Audit Report for Fiscal Year 2026

Presented by Kevin Chadwick

Arkansas Teacher Retirement System

INTERNAL AUDIT ANNUAL REPORT

September 28, 2026

Contents

EXECUTIVE SUMMARY

The Internal Audit Unit completed a productive audit year focused on strengthening governance, improving internal controls, and supporting the risk management objectives of the Arkansas Teacher Retirement System (ATRS). Audit activities were executed in alignment with the approved Annual Internal Audit Plan, with priority given to high-risk areas and emerging issues impacting operations.

Overall plan completion was strong, with the majority of scheduled engagements finalized during the fiscal year and all high-risk audits completed as planned. Several lower-risk audits were deferred due to shifts in business priorities and resource availability.

Across completed audits, Internal Audit identified opportunities to improve operational controls, enhance policy compliance, and address technology-related risks.

Kevin Chadwick, CIA
ATRS Chief Audit Executive

INTRODUCTION

The Internal Audit Unit is pleased to present the Annual Internal Audit Report for fiscal year 2026. This report summarizes audit activities performed in accordance with the approved Internal Audit Plan, outlines the completion status of planned engagements, and highlights key metrics, observations, and improvement opportunities identified throughout the year. The internal audit function provides independent, objective assurance designed to strengthen governance, risk management, and internal control processes across the Arkansas Teacher Retirement System (ATRS).

MANAGEMENT'S RESPONSIBILITY

Management is responsible for establishing and maintaining effective internal controls, risk management practices, and governance processes. Management is also accountable for evaluating and implementing corrective actions to address audit observations and for ensuring that risks are appropriately mitigated. Internal Audit's work does not replace or diminish management's responsibilities for these areas.

AUDITOR'S RESPONSIBILITY

Internal Audit is responsible for performing audits in accordance with the approved Internal Audit Plan and professional auditing standards. This includes evaluating the adequacy and effectiveness of internal controls, assessing compliance with policies and regulatory requirements, and communicating significant findings to senior management and the Audit Committee. Internal Audit provides recommendations aimed at improving operations and controls; however, the execution of those improvements remains the responsibility of management.

AUDIT ACTIVITY SUMMARY

The approved audit plan included 13 engagements. Nine projects were completed, three were deferred to the next fiscal year due to system migration delays, and one was cancelled based on results of the Control Self-Assessment.

Title (Project Number)	Status	Report Date
Assurance Projects		
Procurement Process Review (26-ASSURE-001)	Complete	December 2025
Investment Liquidity Management (26-ASSURE-002)	Complete	October 2025
Continuity of Operations Program Review (26-ASSURE-003)	Complete	January 2026
Cybersecurity Maturity Assessment (26-ASSURE-004)	Deferred	N/A
Records Management (26-ASSURE-005)	Deferred	N/A
Legislative Implementation (26-ASSURE-006)	Complete	July 2026
Advisory Projects		
CSA Facilitation (26-ADVISE-001)	Complete	March 2026
Change Management Advisory (26-ADVISE-002)	Deferred	N/A
ERM Maturity Assessment	Canceled	N/A
Legal Service Request Process Improvement (26-ADVISE-03)	Completed	June 2026
Administrative Projects		
Internal Audit Strategic Plan Development	Complete	September 2025
Quality Self-Assessment with Independent Validation	Complete	April 2026
Follow-Up Framework Development	Complete	June 2026

CONCLUSION

Internal Audit appreciates the support and engagement of management and the Audit Committee throughout the fiscal year. The Unit remains committed to further strengthening audit coverage, enhancing data-driven assurance, and aligning audit activities with evolving organizational risks. We welcome any feedback from the Audit Committee regarding future priorities or areas where additional assurance may be beneficial.

6. Other Business

7. Adjourn