



**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN
ARIZONA PSPRS TRUST**

Michael Townsend
Administrator

Michael Smarik
Deputy Administrator

Bret Parke
*Assistant Administrator,
General Counsel*

Mark Steed
Chief Investment Officer

Board of Trustees
Chairman
Scott McCarty
Vice Chairman
Harry Papp
Trustees
Christopher Hemmen
Alan Maguire
Brian Moore
Dean Scheinert
Randie Stein
Nathan Weber
Daren Wunderle

September 21, 2023

Lindsay A. Perry
Arizona Auditor General
2910 N 44th St., Ste. 410
Phoenix, AZ 85018-7271

Dear Ms. Perry:

This cover letter is to provide the Management Response to the final report draft of the performance audit and sunset review of the Public Safety Personnel Retirement System.

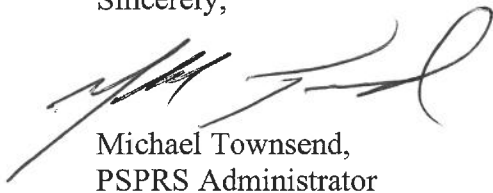
Included with this letter is our response which addresses each recommendation in the revised final report draft to comply with the Joint Legislative Audit Committee's procedures. The responses incorporate one of the provided statements for each recommendation in the report and include additional comments related to sunset factor recommendations 2 and 5.

Internal planning to address the sunset factor recommendations has begun and PSPRS acknowledges it is understood the Joint Legislative Audit Committee requires that agencies provide your Office a written explanation of the status of the efforts to implement all recommendations within 6 months after the published date of the audit report.

The revised final draft report and all its parts are being managed as confidential until notice from your office is received specifying the date the report is public.

Please notify PSPRS of any further steps that need to be addressed.

Sincerely,



Michael Townsend,
PSPRS Administrator

Attachment



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Finding 1: Former System Administrator entered business relationships with 2 former Board members and all 3 failed to disclose and refrain from participating in decisions that could be influenced by their relationships.

Recommendation 1: The System should develop and/or revise and implement conflict-of-interest policies and procedures to help ensure it complies with State conflict-of-interest requirements and follows recommended practices, including:

Recommendation 1a: Storing and tracking all substantial interest disclosures in a special file available for public inspection.

System response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: None.

Recommendation 1b: Reminding employees at least annually to update their disclosure form if/when their circumstances change.

System response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: None.

Recommendation 2: The System should develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to all employees on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

System response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: None.

Sunset Factor 2: The extent to which the System has met its statutory objective and purpose and the efficiency with which it has operated.

Recommendation 3: The System should continue providing quarterly census data to and working with the Arizona Department of Administration to reconcile the active member personnel data between the State's payroll records and the data provided

to the System's actuaries and investigate and resolve any errors prior to providing the information to its actuaries.

System response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: PSPRS will continue to coordinate with Arizona Department of Administration – General Accounting Office and the Arizona Department of Corrections Rehabilitation and Reentry to help them appropriately provide employer data. Options for a more appropriate alternative long-term solution may be considered in connection with the implementation of the Pension Administration System.

Recommendation 4: The System should continue including member data in employer and local board internal audits and implement its plans to expand the audit work to include comparing member data reviewed to the data provided to the actuaries to help identify inaccuracies in the data.

System response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: None.

Sunset Factor 5: The extent to which the System has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

Recommendation 5: The System should ensure that meeting minutes, or digital recordings, are available upon request within 3 working days of public meetings, as required by statute.

System response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The PSPRS procedure is to provide the information within the statutory timeframe of 3 working days. While we are generally compliant, we will review the process and make appropriate modifications to ensure compliance in all instances.