

**THE AUDIT COMMITTEE  
of the  
BOARD OF TRUSTEES  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

**MINUTES OF THE MEETING OF November 12, 2024**

The Audit Committee (AC) convened on Tuesday November 12, 2024, at 11:30 a.m. via video conference call with the host on site at 120 East Baltimore Street, Baltimore, Maryland.

Committee members present were: Mia N. Pittman, Chairman  
Robert F. Sandlass, Jr., Vice-Chairman  
Jamaal R.A. Craddock  
Richard E. Norman

MSRA attendees were: Martin Noven, Executive Director  
Katherine Morris, Director of Communications  
John Lane, Communications Manager  
Kimberly O'Keefe, Retirement Administrator  
Megan Myers, Deputy Retirement Administrator  
Derrick Johnson, Deputy Retirement Administrator  
David Rongione, Chief Internal Auditor  
Bob Diehl, Chief Technology Officer  
Thomas Montanye, Deputy Chief Technology Officer  
Dave Toft, Director of IS Data Security and Quality  
Lisa Jordan, Executive Associate II  
Yvonne Greene, Investment Associate  
Toni Voglino, Senior Compliance Officer  
Mildred Forbes, Senior Investment Compliance Analyst  
Cheryl Davis-Shaw, Executive Special Assistant  
Courtney Key, Special Assistant  
Chris Mannino, Network Systems Administrator II  
Benjamin Robb, Communications Specialist  
Lauren Smith, Internal Audit Contract Manager  
Richa Sultana, Internal Audit Manager

AAGs present were: Rachel Cohen, Principal Counsel  
Emily J. Spiering, Deputy Counsel

CLA Attendees were: Remi Omisore  
Tonia Shultz

UHY Attendees were: Thomas Rey  
Steve Maranto

Other: Michael J. Howard

**1. Call Meeting to Order**

Ms. Pittman called the meeting to order at 11:30 a.m.

**2. Ratification of the Minutes of the July 16, 2024 Audit Committee Meeting**

On a motion made by Mr. Norman and seconded by Mr. Sandlass, the minutes of the July 16, 2024 Audit Committee (AC) meeting were approved.

**3. Calendar Year (CY) 2025 Audit Committee Meeting Dates**

The original proposed dates were as follows:

Tuesday January 7, 2025 @ 11:30 AM

Tuesday April 1, 2025 @ 11:30 AM

Tuesday July 1, 2025 @ 11:30 AM

Wednesday November 12, 2025 @ 11:30 AM

The July date was revised due to a concern expressed by Mr. Sandlass regarding holidays and a GFOA conference. The July date was changed to July 8, 2025. On a motion made by Mr. Norman and seconded by Mr. Sandlass, the CY 2025 AC meeting dates were approved.

**4. Presentation of FY 2024 Financial Statement Audit Results by CLA**

Mr. Omisore and Ms. Shutz from CliftonLarsonAllen (CLA) presented the results of FY 2024 Financial Statements Audit, noting that the scope and deliverables are consistent with prior years. Following the issuance of a final version of the financial statements, CLA will issue a separate opinion on ACFR that will include additional schedules and communications. Mr. Omisore mentioned that the draft financial statements are included in the agenda, and he does not expect to change any numbers in the final version. He also expects to issue an unmodified opinion.

**5. Acceptance of the FY 2024 MSRPS Draft Financial Statements**

On a motion made by Mr. Sandlass and seconded by Mr. Norman, the FY 2024 MSRPS Draft Financial Statements were approved.

**6. Participating Employer Audits – FY 2024 Results**

Mr. Maranto from UHY LLP presented the results of the Participating Employer Audits for FY 2024. He explained that this engagement is a compliance testing at participating employers over a five-year period that covers both State agencies (87%) and Participating Governmental Units (PGUs) (13%). He noted that, during the FY 2024 testing period, 82 employers were included and tested for 7 objectives. He reviewed the results of each objective noting that the misreported payroll data, unused sick leave and the wage file data had the most findings. He also presented a comparative finding analysis showing the trend of the findings for 54 PGUs, who were tested between 2019 and 2021, and noted that this

analysis showed a positive trend where the number of findings has gone down. He added that more than half of the State agencies tested had misreported unused sick leave (objective #5), which was due to either the final re-certification not being submitted or the re-certified number on the handwritten form being interpreted incorrectly. He suggested that the process is very manual and some automation to the process should be considered. Mr. Sandlass asked whether the data can be directly obtained by accessing the Workday portal for State agencies. Mr. Maranto agreed to that suggestion. Mr. Rongione asked the Administration Division whether reviewing Workday is part of the current process. Mr. Johnson said it is not, and Ms. O’Keeffe added that the accounts can be accessed at an individual level but a report out of Workday regarding the sick leave balance would be more helpful.

Mr. Rongione mentioned that he spoke with the Agency’s Chief Business Operations Officer who said that the re-engineering of the sick leave re-certification process is on their list of deliverables, and they expect to have it completed by the end of CY 2025 or early 2026.

## **7. Investment Risk Assessment**

Ms. Pittman thanked UHY LLP for preparing the Investment Risk Assessment report and requested the report be presented to the full Board.

Mr. Rey from UHY LLP then provided some background on the process of their risk assessment. As part of their risk assessment process, they interviewed the Investment Division staff and then built a survey for Investment Division staff to complete. They then analyzed the survey results to determine the recommended audits to be included in the FY 2025 audit plan. He added that the AC members and Board members were not included in this year’s survey, but UHY LLP will include them next year to receive their input.

He noted that during their process, 66 risk factors were considered over 8 auditable areas. The two main areas to be audited are Investment Operations, Accounting and Administration with a hyper focus on internal trading and Portfolio Management & Ongoing Due Diligence.

He added that although ESG is a hot topic, it is currently not an auditable area due to a lack of standard policies & procedures and monitoring tools. He said this area didn’t rank out high enough in their risk assessment.

Ms. Pittman suggested that the perspective of the auditability of ESG should also be communicated to the Investment Committee.

## **8. Acceptance of the Proposed Investment Audits**

Ms. Pittman said that the Investment Risk Assessment report recommends two audits, therefore there will be a revision to the FY 2025 Audit Plan that will be presented at the next AC meeting. On a motion made by Mr. Sandlass and seconded by Mr. Norman, the inclusion of two Investment audits to the FY 2025 Audit Plan was approved.

## **9. Investment Compliance Report**

Ms. Voglino advised that the Investment Compliance team provides the AC an annual compliance report to keep the board informed of any material issues and noted that all external and internal manager investment guideline violations have been reviewed by the Compliance team. She emphasized that the alerts were either false alerts, alerts due to timing of trading where no corrective actions were necessary, or the necessary corrective actions were taken where applicable. She confirmed that the Investment Division staff had completed all required trainings and disclosures, and the required SEC filings had been completed timely. She then provided detailed background on the following items:

1. External Manager Investment Guideline Violations
2. Internal Manager Investment Guideline Violations
3. External Manager Annual Compliance Questionnaire and Certificate (the“ACQ”)
4. Private and Commingled Annual Certification
5. Personal Trading Monitoring and Attestation
6. Conflicts of Interest Reporting and Attestation
7. Code of Ethics Attestation
8. Mandatory Staff Training in Compliance
9. Regulatory Reporting

## **10. Status of FY 2025 Audit Plan**

Mr. Rongione advised that the Investment Risk assessment, the Application Inventory and Access audit, as well as the first quarterly data analytic audits are complete. He noted that the Finance Consulting Project, the second quarter data analytic audits, the Security Incident Response and the Event Monitoring audit are in progress. He added that there are 41 Participating Employer audits in progress as well. He continued by saying this Fiscal Year, 15 data analytic and 3 internal audit issues were identified.

## **11. Data Analytics Dashboard**

Mr. Rongione presented the aging of issues related to Data Analytics, noting that there are currently no open issues. He advised that Management has done a great job of getting the older issues remediated and staying current with the issues identified.

## **12. Status of Open Issues Log**

Mr. Rongione noted that a total of 25 issues have been closed and there are currently 22 issues that have been open for greater than a year. He recommended that priority be given to remediating these items. Mr. Rongione then presented the memo related to the open issues log with the following key takeaways:

- At the last Committee meeting, the AC requested that Management provide an updated action plan and anticipated remediation date for each open issue. Internal

Audit Division (IAD) has worked with Management to obtain this information and has included it in the open issues log.

- IAD has created a separate open issues log for Information Systems findings, which will be presented in closed session to avoid risks of public disclosure to security vulnerabilities.
- IAD will begin to evaluate Governance Risk and Compliance platforms and audit management software that have an integrated issues tracking solution, risk assessment process, and a more robust reporting feature.
- IAD analyzes and considers the root causes of the open issues during the creation of the annual audit plan. There are currently 18 findings identified as having the root cause of policies not in place, followed by 15 findings identified with the root cause of policies not enforced.
- The analysis of the root cause led IAD to include a “Staffing” audit on the FY 2025 annual audit plan to determine why policies are not enforced or in place. Objectives of the upcoming staffing audit include:
  - Review staffing levels and turnover
  - Review initial staff training for new hires
  - Review ongoing training and continuing education requirements
  - Review staff engagement survey results and management’s response

Ms. Pittman asked what “logical security” meant in the root cause category and Mr. Rongione responded that it means how to gain access (break into) to a system. He added that majority of findings under the category of “logical security” are related to Pen Test or Cyber Security audits.

Ms. Pittman noted that there is an inverse relationship between policies not enforced in the Administration Division and policies not in place in the Information Systems area. The root cause with policies not being enforced as a primary issue in the Administration Division area were policies not in place as the primary issue in Information Systems area. She added that the Staffing audit will provide additional opportunities to identify what are some other underlying issues. She also directed AC members to review the section of the memo that shows how one single action item will remediate multiple issues as that was the main purpose of creating this memo.

### **13. Completed Audits**

Mr. Rongione reviewed the results of the Application Inventory and Access Audit noting that it was a “Yellow” report, meaning improvement is needed. The scope included the controls and processes over application inventory and access control during the period of August 2023 through July 2024. The audit identified 3 issues which are detailed in the report. Management has agreed with the issues and responded with an acceptable remediation plan.

### **14. Motion by the Audit Committee to meet in Closed Session**

On a motion made by Mr. Norman and seconded by Mr. Sandlass, the Audit Committee voted to meet in a closed session, beginning at 12:59 p.m., for the purposes of:

(a) reviewing the closed session Audit Committee minutes, in order to comply with the requirement that closed session minutes be sealed and not open to public inspection, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection;

(b) Discussing the Information Systems open issues log and Managements action plan to remediate issues related to MSRA network infrastructure and network security and confidential commercial information supplied by a third party to the System (who performed the audits), in order to avoid risk to security assessments, network security information or deployments of security personnel, infrastructure or devices, pursuant to General Provisions Art. § 3-305(b)15, to discuss cybersecurity, if the Committee determines that public discussion would constitute a risk to: (i) security assessments or deployments relating to information resources technology, (ii) network security information, or (iii) deployments or implementation of security personnel, critical infrastructure, or security devises.

### **Closed Session**

Committee members present were: Mia N. Pittman, Chairman  
Robert F. Sandlass, Jr., Vice-Chairman  
Jamaal R.A. Craddock  
Richard E. Norman

MSRA attendees were: Martin Noven, Executive Director  
Katherine Morris, Director of Communications  
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Cheryl Davis-Shaw, Executive Special Assistant

Courtney Key, Special Assistant  
Chris Mannino, Network Systems Administrator II  
Lauren Smith, Internal Audit Contract Manager  
Richa Sultana, Internal Audit Manager

AAGs present were: Rachel Cohen, Principal Counsel  
Emily J. Spiering, Deputy Counsel

**On motion duly seconded, the Committee returned to Open Session beginning at 1:06 p.m.**

**Open Session**

Committee members present were: Mia N. Pittman, Chairman  
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Jamaal R.A. Craddock  
Richard E. Norman

MSRA attendees were: Martin Noven, Executive Director  
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AAGs present were: Rachel Cohen, Principal Counsel  
Emily J. Spiering, Deputy Counsel

**During closed session, the Committee discussed the matters identified in the motion to meet in closed session, and acted on the following matters:**

**Closed Session Meeting Minutes**

The Committee approved the closed session minutes from the July 16, 2024 Audit Committee meeting.

**15. Other Business**

Ms. Pittman said the next AC meeting will be on January 7, 2025, and she thanked Mr. Sandlass for the revision to the July meeting date.

**16. Motion by the Audit Committee to Adjourn Meeting**

On a motion made by Mr. Norman and seconded by Mr. Sandlass, the meeting adjourned at 1:07 pm.

Respectfully submitted,

*David Rongione*

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David Rongione, Secretary