

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

MINUTES OF THE MEETING OF February 21, 2017

The Audit Committee met on Tuesday, February 21, 2017 at 2:00 p.m., in Conference Room 1654 of the Maryland State Retirement Agency at 120 East Baltimore Street, Baltimore, Maryland.

Committee members present were: James A. Bush, Jr., Chairman
James "Chip" DiPaula
F. Patrick Hughes (by phone)
Theresa Lochte
Richard E. Norman

MSRA attendees were: David Rongione, Chief Internal Auditor
Harvey Raitzyk, Retirement Administrator
Ken Reott, Deputy Retirement Administrator
Rachel Cohen, Principal Counsel
Melody Countess, Chief Operating Officer
Michelle Lowery, Deputy Chief Operating Officer
Victor Adekoya, Investment Accountant
Brian Feilinger, Internal Audit Contract Manager
Lauren Smith, Internal Audit Supervisor
Delores White-Rose, Internal Auditor

A. Minutes of the November 10, 2016 Audit Committee Meeting

On a motion made by Mr. Norman, and seconded by Mr. Hughes, the minutes of the November 10, 2016 Audit Committee meeting were approved.

B. Contractual Audits Update

Mr. Rongione provided an update on the status of contractual audits. He noted that Internal Audit has issued an RFP for Investment Audit Services. Three responses have been received. Internal Audit is currently reviewing the technical proposals.

C. Internal Quality Assurance Results

Mr. Rongione discussed Internal Audit's quality assurance efforts for calendar year 2016. This included quality assurance reviews of selected audits and an overall review of Internal Audit's compliance with general auditing standards. Brian Feilinger, Internal Audit Contract Manager, performed quality assurance reviews of two internal agency audits and three external audits of participating employers during the year. He also completed the annual review of Internal Audit's compliance with auditing standards. There were no significant recommendations in this area.

Mr. Rongione noted that Internal Audit also receives an external peer review for quality assurance every three years.

D. Status of FY 2017 Audit Plan

Mr. Rongione provided the Committee with a status update for the FY 2017 audit plan. Three full-scope audits have been completed, and audits of Payroll Data & Contributions and System Transfer Processing are currently in progress. Staff is wrapping up fieldwork for an audit of EFT Application Processing, and a report is expected to be issued shortly. For external employer audits, 27 of 60 have completed, 32 are in progress and one has not yet begun. All are expected to be completed on schedule.

E. Status of Open Issues Log

Mr. Rongione provided a summary of open audit issues. For FY 2017, a total of 26 issues were closed and 12 new issues were added. There is a current balance of 9 open issues. Details of the open issues were provided to the Committee. Mr. Rongione told the Committee that open issues for the Network/Server Maintenance and Capital Equipment audits are awaiting review. These are expected to be removed after their testing is completed.

F. Completed Audits

Mr. Rongione discussed the Power of Attorney audit, which was issued on January 25th, 2017. He stated that the audit had an overall rating of “green”, indicating an acceptable state of controls. The audit identified one issue related to procedures that were not followed. Management agreed with the finding and has agreed to take corrective actions.

G. Other Business

The next Audit Committee meeting will be held on Tuesday, May 16, 2017, immediately following the Board of Trustees meeting.

H. Motion to Adjourn

On a motion by Ms. Lochte, and seconded by Mr. Norman, the Committee adjourned the meeting at 2:08 p.m.

Respectfully submitted,

David Rongione, Secretary