

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

**MINUTES OF THE MEETING OF APRIL 16, 2024**

The Audit Committee convened on Tuesday April 16, 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  
Michael J. Howard, Vice-Chairman  
Jamaal R.A. Craddock  
Richard E. Norman  
Robert F. Sandlass, Jr.

MSRA attendees were: Martin Noven, Executive Director  
Kimberly O’Keefe, Retirement Administrator  
Megan Myers, Deputy Retirement Administrator  
David Rongione, Chief Internal Auditor  
Robert Diehl, Chief Information Systems Officer  
Thomas Montanye, Deputy CISO  
Cheryl Davis-Shaw, Executive Special Assistant  
Courtney Key, Special Assistant  
Lauren Smith, Internal Audit Contract Manager  
Richa Sultana, Internal Audit Manager

AAG’s present were: Rachel Cohen, Principal Counsel  
Emily J. Spiering, Assistant Attorney General

**1. Call Meeting to Order**

Ms. Pittman called the meeting to order.

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

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

**3. Proposed Revisions to the Charter for the Audit Committee**

Mr. Rongione directed the AC members to the revised Charter included in the AC Agenda packet. He mentioned that the Board’s policies require that the Committee Charter be approved every three years. He added that the Charter is in track changes with proposed edits.

On a motion made by Mr. Norman and seconded by Mr. Sandlass, the revisions to the Charter for the AC were approved.

#### **4. Audit Plan Status**

Mr. Rongione said with two and a half months left in the fiscal year, Internal Audit Division (IAD) is on track to complete the audit plan. The fieldwork for the 1099-R and the Disaster Recovery audits are starting to wrap up. He added that the outsourced Pen Test audit is scheduled to start in May, and the draft report for the Investment Contractual Risk audit was received a couple days ago. The final report will be issued in the coming weeks. He continued by saying the Portfolio Management audit is progressing, and the Participating Employer audits are on schedule to be completed as well by fiscal year end.

#### **5. Open Issues Log**

Mr. Rongione presented the open issues aging report by division noting that there are currently 29 issues that have been open for greater than a year. Priority should be given to remediating these items. He mentioned that management has made good progress in closing out issues as 30 issues have been closed during current fiscal year. He also presented the full open issues log mentioning that the log is sorted by risk, and the highest risky items are included at the top of the log.

Mr. Howard made a comment to recognize the efforts put in by management in closing the open issues and thanked staff for the job well done.

Ms. Pittman suggested that going forward, the log should only include the items that are in red and orange so the AC can focus on these specific items. She also suggested the dashboard should have a column for ownership so the AC could draw more attention on accountability.

#### **6. Data Analytic Dashboard**

Mr. Rongione presented the dashboard mentioning that at the last meeting, there were 12 issues that had been open longer than a year. Management has remediated those older issues, and the 20 remaining items are more recent issues.

#### **7. Agency Wide Risk Assessment**

Mr. Rongione mentioned that IAD will begin the annual risk assessment process during the month of May. This includes sending a questionnaire to AC members, Executive staff, Unit directors, as well as interviews of staff. Internal audit will utilize the results of these interviews and questionnaires to evaluate risks based on likelihood and impact. The results of the risk assessment will be factored into the FY 25 audit plan, which will be presented at the next AC meeting in July.

#### **8. Disputed EFT Payment Log**

Ms. Myers mentioned there has not been any additions or changes to the log. Ms. Pittman stated that this is the first time the AC is seeing the log, and she thanked management for their effort in creating the document.

## **9. Completed Audits**

Mr. Rongione reviewed the results of the three completed audits starting with the System Transfer audit which was a “Yellow” report, meaning improvement is needed. The scope included the system transfer requests processed during Fiscal Year 2023. The audit identified 3 issues which are detailed in the report. Management has agreed with the issues and responded with an acceptable remediation plan.

He then reviewed the Required Minimum Distribution audit which was a “Green” report, meaning a satisfactory or acceptable level of control. The scope included the process of identifying the individuals subject to required minimum distribution for Calendar Year 2022. The audit identified 5 issues which are detailed in the report. Management has agreed with the issues and responded with an acceptable remediation plan.

As the last item, Mr. Rongione reviewed the Annual Network Security audit which was a “Green” report, meaning that there was an acceptable state of control and compliance. The scope included examining network security controls during the period of July 2023 – January 2024. No issues were identified during the audit.

Mr. Howard commented that IAD is moving well through the audits. He inquired whether there are any issues with staffing. Mr. Rongione answered by saying currently IAD is fully staffed. IAD also has a contract with a vendor for 5,000 hours, and majority of those hours are used for PGU audits where 70/80 audits are performed each year. Part of those hours are also used for the Investment audits as well as the Pen Test.

Ms. Pittman said she requested Mr. Rongione to present the risk assessment and audit plan along with the staffing status which will ensure there is adequate resources available. Mr. Rongione mentioned in the past when IAD experienced some staffing issues, he included “staffing update” as an agenda item to keep the AC informed. He added that if there are any changes to the current staffing level, it will be communicated to the AC in the same manner. Mr. Sandlass asked Mr. Rongione’s opinion on the staffing level for the overall agency. Mr. Rongione answered by saying some audit findings are related to staffing issues either due to lack of training or there weren’t enough resources to complete certain tasks. He added that the Agency wide risk assessment includes staffing as a risk factor.

## **10. Other Business**

Mr. Rongione said the next AC meeting is on July 16, 2024. He also mentioned that a vendor has been selected through the procurement process for the External Quality Assurance review. IAD is waiting for the contractual documents to be signed. He anticipates that this review will begin in May and conclude by the end of June. He mentioned that the results of the review will be presented to the AC in the July meeting.

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

On a motion made by Mr. Norman and seconded by Mr. Howard, the meeting was moved to closed session.

## **12. Motion by the Audit Committee to adjourn meeting**

Prior to adjourning the meeting, Mr. Howard followed-up on the status of the further training related to cyber security risk. He shared the idea of performing a table-top exercise or bringing in speakers. He believes this training is crucial especially with Artificial Intelligence (AI).

Ms. Pittman asked whether the speakers will be for the AC or the full Board. Mr. Howard answered by saying he believes it will be beneficial for the full Board. Ms. Pittman requested Mr. Noven address whether it can be added as a topic for a Board training session. Mr. Noven agreed by saying he spoke to the Chair and Vice Chair about adding education sessions on a more regular basis. He also spoke to them about having the Board meeting at a different day than the Investment Committee meetings, so they have time to talk about these educational issues. He added that new legislation has passed that permits to count the cyber security and governance related trainings towards the annual training requirements.

Ms. Pittman suggested to leverage the opportunities at the Board level to discuss the topics for the training sessions. She added that the sessions should include some takeaways for the AC such as items the AC members/the system should be looking for or the items to put forward in the Audit Plan. Mr. Howard agreed with that suggestion.

On a motion made by Mr. Norman and seconded by Mr. Sandlass seconded, the meeting adjourned at 11:55 p.m.

Respectfully submitted,

*David Rongione*

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David Rongione, Secretary