

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

**MINUTES OF THE MEETING OF July 21, 2020**

The Audit Committee convened on Tuesday July 21, 2020 at 12:15 p.m. via video conference call with the host site at 120 East Baltimore Street, Baltimore, Maryland.

Committee members present were: Richard E. Norman, Vice-Chairman  
Michael J. Stafford  
Jamaal Craddock

MSRA attendees were: R. Dean Kenderdine, Executive Director  
David Rongione, Chief Internal Auditor  
Rachel Cohen, Principal Counsel  
Andrew Palmer, Chief Investment Officer  
Robert Burd, Deputy Chief Investment Officer  
Toni Voglino, Senior Compliance Officer  
Mildred Forbes, Senior Investment Compliance Analyst  
Melody Countess, Chief Operating Officer  
Kenneth Reott, Retirement Administrator  
Robert Diehl, Deputy Chief Information Systems Officer  
Joe Puller, Director of Network Operations &  
Telecommunications  
Scott Bolander, Computer Network Specialist II  
Jeff Eickelberger, Computer Network Specialist Lead  
Lauren Smith, Internal Audit Contract Manager  
Gregory Busch, IT Audit Manager  
Richa Sultana, Internal Audit Manager

BD & CO attendees were: Jeff Binford, Senior Manager

**A. Minutes of the April 21, 2020 Audit Committee Meeting**

On a motion made by Mr. Stafford and seconded by Mr. Craddock, the minutes of the April 21, 2020 Audit Committee meeting were ratified.

**B. Presentation of Compliance Monitoring Audit by BD & Co**

Mr. Binford from BD & Co. presented the audit report of the Compliance Monitoring audit. The scope of the audit included the processes and procedures around the area of compliance monitoring, trade compliance, and risk reporting for all investments within the Investment Management Division. He mentioned that the control environment is functioning effectively and the audit identified only two issues:

- 1) Quarterly monitoring of trade practices are not being reported to the CIO. This is mainly due to lack of an order management system. In addition, the type of trades being processed do not

- require this level of monitoring.
- 2) Two sections of the Conflict of Interest Disclosure Statement require separate signatures. The first section of the statement was properly signed however, the second element was not signed due to management oversight. Management has a tracking log for the statement and a column will be added on that log to indicate whether signatures have been obtained from all parties.

Mr. Binford noted that Ms. Voglino and the Investment Management Division employees were very helpful during the audit and the program is operating effectively. He mentioned that as more investments come in house, the compliance program will increase.

**C. Independence Memo from CliftonLarsonAllen on Financial Statement Audit**

Mr. Rongione mentioned that the Agency had requested an independence memo from CliftonLarsonAllen for the Financial Statement Audit. He noted that the memo is now attached with the Audit Committee Agenda packet for the Committee's review.

**D. Status of FY2020 Audit Plan**

Mr. Rongione mentioned that IAD has completed all full-scope audits included in the audit plan with the exception of one audit. He noted that all outsourced audits have been completed. Mr. Rongione also mentioned that for Participating Employer Audits, 40% is complete, 32% is complete but pending management response and 28% is in progress. He noted that IAD expects all audits to be completed by August 31<sup>st</sup>, 2020.

**E. FY2020 Internal Audit Performance Report**

Mr. Rongione noted that IAD has met all performance goals with the exception of completion of annual audit plan. IAD has completed 95% of the audit plan. Mr. Rongione indicated that due to COVID-19, IAD has experienced some difficulties in obtaining information since the majority of the Agency employees are currently teleworking which presented limited availability to staff and documents. Mr. Norman noted that given the current circumstances, IAD has performed very well. Mr. Rongione added by saying that not only IAD but the entire Agency as a whole has performed extremely well under these difficult circumstances.

**F. FY2020 Time Report**

Mr. Rongione noted that the time report compares hours from the current fiscal year to previous fiscal years, in respective hour categories. For administrative hours, IAD's goal is to keep these hours under 20%, and the FY2020 administrative hours was at 16.77%.

**G. Status of Open Issues Log**

Mr. Rongione directed the Audit Committee to the listing of open issues saying that IAD will test to confirm whether the issues have been resolved when management indicates they have remediated the issue. Mr. Norman asked whether IAD is receiving timely response on the open issues. Mr. Rongione answered by saying that IAD usually reaches out to the management a few weeks before the Audit Committee meeting to review which issues have been resolved, and management responds in a timely fashion indicating whether the issues have been resolved or not.

**H. FY2021 Audit Plan**

Mr. Rongione reviewed the FY2021 Audit Plan indicating that he has included two options for the Audit Committee's review. The first one being the traditional audit plan where questionnaires are sent out to the Audit Committee members, Executive Director, Executive Staff as well as the Unit Directors. Based on their responses, IAD performs an assessment of the risks on their likelihood and impact within the business processes and the highest risk areas are included in the audit plan.

Mr. Rongione mentioned that for FY2021, two major risks were considered – 1) COVID-19 pandemic and 2) MPAS Plus Project. Due to COVID-19, the Agency has changed the way it operates and majority of the employees were moved to remote work location which presented challenges for IAD with availability of staff and documentation. He also mentioned that business processes are being re-engineered due to MPAS Plus project. These processes are changing rapidly therefore, a process audited by IAD during current fiscal year may not even be applicable/relevant within the next few months. Mr. Rongione said the second option of the audit plan is a Continuous Audit plan which will involve various data analytics projects using a data analytics tool by IAD called ACL. He said that an example of that plan will be IAD analyzing month over month data directly from the database, which will reduce the dependency on receiving information/documents from the Agency staff. Mr. Rongione recommended the second option for FY2021 audit plan. Mr. Norman, Mr. Stafford and Mr. Craddock agreed with the second option. On a motion made by Mr. Stafford and seconded by Mr. Craddock, the FY2021 audit plan was approved.

**I. Special Project on Effective Date of Retirement Analysis**

Mr. Rongione noted that during February 4<sup>th</sup>, 2020 Administrative Committee meeting, an issue was discussed regarding effective date of retirement where the members who separated from service when they were eligible for early service retirement but not normal service retirement, were denied an effective date of retirement as of the 1st of the month after they reached normal retirement age. The Agency had performed an analysis of the effective date of retirements for these retirees and identified that the Agency owed retroactive payments to some retirees. IAD had re-performed the analysis and identified one additional retiree who is due a retroactive payment. In addition, IAD identified five retirees who needed their separation from employment date corrected in the system.

**J. Other Business**

Next Audit Committee meeting will be held on November 10<sup>th</sup>, 2020 which will include the presentation of the Financial Statement audit.

**K. Motion to Adjourn**

On a motion by Mr. Stafford and seconded by Mr. Craddock, the Committee approved to adjourn the meeting at 12:41 p.m.

Respectfully submitted,

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David Rongione, Secretary