

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

**MINUTES OF THE MEETING OF July 26, 2019**

The Audit Committee met on Tuesday July 26, 2019 at 12:45 p.m., in Conference Room 1654 of the Maryland State Retirement Agency at 120 East Baltimore Street, Baltimore, Maryland.

Committee members present were: Richard E. Norman, Chairman  
David B. Hamilton (by phone)  
F. Patrick Hughes (by phone)  
Theresa Lochte

MSRA attendees were: R. Dean Kenderdine, Executive Director  
David Rongione, Chief Internal Auditor  
Rachel Cohen, Principal Counsel  
Patricia Fitzhugh, Deputy Chief Operating Officer  
Lauren Smith, Internal Audit Contract Manager  
Richa Sultana, Internal Audit Supervisor

BD & Co attendees were: Scott Freinberg, Engagement Partner  
Jeff Binford, Senior Manager

**A. Minutes of the April 16, 2019 Audit Committee Meeting**

On a motion made by Ms. Lochte, and seconded by Mr. Hughes, the minutes of the April 16, 2019 Audit Committee meeting were ratified.

**B. FY 2020 Audit Plan**

Mr. Rongione explained that Internal Audit Division has completed the Agency Wide Risk Assessment. This process included sending risk questionnaires to the Audit Committee members, the Executive Director, department heads and operational managers. Internal Audit Division then utilized the results of these surveys, and evaluated the business process risks based on likelihood and impact, as well as considering inherent and residual risks. Internal Audit Division then sorted the business processes by risk in descending order. Available audit hours of Internal Audit staff were also considered as part of developing the Annual Audit Plan. Mr. Rongione noted that IT security remains to be the highest risk area; however, Internal Audit Division currently does not have the internal resources to perform any audits around that area. Internal Audit Division included the below three audits in FY 2020 audit plan based on risk ratings:

1. MDS – Data Conversion / Integration
2. CRM – Data Conversion / Integration, and
3. Retiree Withholding Tax

IAD will perform one additional audit which is to be determined. This audit will be on one of the revised business processes due to MPAS Plus project. Upon completion of the reengineering of the first business process, IAD will begin the auditing procedures.

On a motion made by Ms. Lochte, and seconded by Mr. Hughes, the FY 2020 Audit Plan was approved.

**C. Valuation and Performance Audit Results – Presented by BD & Co.**

Mr. Binford of BD&Co presented the results of the Valuation and Performance audit. Mr. Binford advised the committee that the audit had no findings.

**D. FY 2019 Annual Financial Audit**

Mr. Rongione noted that SB&Co held the entrance conference for the financial statement audit with MSRA staff on June 6, 2019. SB&Co will utilize the same engagement team as prior years. They have walked through the items listed below with the MSRA staff:

1. A list of deliverables
2. Details of the planning items discussed
3. Audit timing, and
4. Update on standards

SB&Co expect the audit to be completed by mid-September and the results will be presented during the next Audit Committee meeting on November 12, 2019.

**E. Status of FY 2019 Audit Plan**

Mr. Rongione noted that the Internal Audit Division has completed all audits included in the revised audit plan for FY 2019. For the Participating Employer Audits, 85% are complete, 13% are complete pending management response, and 2% are in progress. All audits are expected to be completed by the end of the contract term of August 31, 2019.

**F. FY 2019 Internal Audit Performance Report**

Mr. Rongione presented the Internal Audit Division's performance report for FY 2019. He noted that Internal Audit Division has met all of its performance goals. Ms. Lochte and Mr. Hughes commended staff for their efforts.

**G. FY 2019 Time Report**

Mr. Rongione presented the Committee with the Internal Audit Division time report. This report compared the current fiscal year's hours spent by Internal Audit Division with prior fiscal years. Mr. Rongione noted that Internal Audit Division's administrative time is at 16%, which is less than the goal of 20%. Ms. Lochte added by saying she noted that time spent in all areas were slightly less than the goal. Mr. Hughes complemented the Internal Audit staff for achieving the goal.

**H. Status of Open Issues Log**

Mr. Rongione noted that Internal Audit Division has closed 13 issues, 15 new issues were added based on recently completed audits, and 15 remain open. Mr. Rongione noted that the 2 legacy open issues are related to a COMAR update and a review of SOC2 reports. The remaining open

issues are related to audits that were completed recently. He also mentioned that some issues, for example, issues related to death benefit processing audit, may remain in the issues log for one more fiscal year due to MPAS Plus project. These issues are expected to be resolved once the business processes are revised as part of MPAS Plus project.

**I. Staffing Update**

Mr. Rongione noted that the Internal Audit Division is currently operating at 75%, with three of four positions active. IT auditor position remains open and Internal Audit Division is accepting applications.

**J. Completed Audits**

Mr. Rongione summarized the results of the recently completed audit of the Administrative Fee Billing. The scope of the audit included the certification, invoicing and receipt of payments related to the FY19 administrative fee. He noted that the audit had an overall rating of "Green" with four (4) identified issues. One (1) issue was moderate risk, and three (3) were low risk. Agency management has agreed to implement corrective actions to address the issues identified in the audit.

**K. Other Business**

The next Audit Committee meeting will be held on November 12, 2019.

Mr. Hughes thanked Trustee Lochte for her diligent work as a Board Member and her participation on numerous Committees.

**L. Motion to Adjourn**

On a motion by Ms. Lochte, and seconded by Mr. Hughes, the Committee adjourned the meeting at 1:15 p.m.

Respectfully submitted,

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David Rongione, Secretary