



SRPS

MARYLAND STATE RETIREMENT
and PENSION SYSTEM

MARYLAND STATE RETIREMENT AND PENSION SYSTEM AUDIT COMMITTEE MINUTES OF OPEN SESSION

Convened on Tuesday July 8, 2025, at 11:30 a.m. via a video conference call.

Committee Members present:

Mia N. Pittman, Chairman
Robert F. Sandlass, Jr., Vice-Chairman
Richard E. Norman

Jon Martin
Jamaal Craddock

Staff members present:

Martin Noven, Executive Director
Gary Burgess
Sarah Carta
Cheryl Davis-Shaw
Michael Howard
Derrick Johnson
Lisa Jordan
Courtney Key
Thomas Montanye

Katherine Morris
Megan Myers
Kimberly O'Keefe
David Rongione
Tonia Shultz
Lauren Smith
Richa Sultana
Dave Toft

Assistant Attorney's General present:

Alex Harisiadis

Other attendees present:

Thomas Rey

1. Call Meeting to Order

Trustee Pittman called the meeting to order at 11:32 a.m.

2. Ratification of the Minutes of the April 1, 2025 Audit Committee Meeting

On a motion made by Trustee Sandlass and seconded by Trustee Craddock, the minutes of the April 1, 2025 Audit Committee (AC) meeting were ratified.

3. Ratify Electronic Vote Regarding a Change to the FY25 Audit Plan

On a motion made by Trustee Sandlass and seconded by Trustee Craddock, the electronic vote regarding a change to the FY25 Audit Plan was ratified.

4. Status of FY25 Audit Plan

Mr. Rongione discussed the status of the FY25 audit plan noting that all audits included in the FY25 audit plan are complete, except for the Staffing audit and one of the PGU audits. The

Staffing audit is in the reporting phase, and the PGU audit is in the fieldwork phase. A total of 78 issues were identified during the fiscal year. These findings are summarized by division in the chart which is included in the agenda packet.

Trustee Sandlass asked about the cooperation from PGUs and Agency staff. Mr. Rongione answered by saying that there was a lack of responsiveness from the PGU that is currently in the fieldwork phase. He added that the audit is now moving along and there were no issues with the Agency staff for any of the internal audits.

5. FY 2025 Internal Audit Performance Report

Mr. Rongione presented the FY25 Internal Audit Division (IAD) Performance Report noting that IAD has met all but two of its performance goals for the fiscal year. IAD completed 97% of the fiscal year audit plan with the goal being 100%. In addition, total audit hours exceeded the budgeted hour goal by 6%. Trustee Sandlass asked whether the excess audit hours are internal or external and whether any additional costs will be incurred. Mr. Rongione said the excess hours are internal. He added that each year at the time of creating the audit plan, he assigns a certain number of hours to each audit. The actual number of hours spent on those audits exceeded slightly. Trustee Sandlass asked if there were any productivity issues. Mr. Rongione answered by saying the excess hours are mainly what would have been allocated/spent on administrative hours. All IAD staff met their required CPE hours, and he has no concerns with the overage.

6. FY 2025 Time Report

Mr. Rongione presented the FY25 time report which details the IAD hours and compares them to prior fiscal years. He mentioned that the hours are consistent with the prior fiscal years.

7. Data Analytics Dashboard

Mr. Rongione reviewed the Data Analytics Dashboard noting that it currently shows 11 open issues, and majority of the findings originate from the date of birth analysis for members. He mentioned that the other charts included in the dashboard show each data analytic performed by IAD and compares the number of samples tested and the number of exceptions identified to the prior fiscal year.

8. Status of Open Issues Log

Mr. Rongione presented the status and the aging of open issues. He reviewed the open issues documents by stating that of the 34 open issues, 17 issues have been open greater than a year, 5 issues have been open between 6 months to a year, and 12 issues have been open less than 6 months. Management should prioritize remediating the 17 issues that have been open for longer than a year, as well as the issues rated at a high risk.

He then discussed the Open Issues Dashboard which illustrates the number of issues closed during the fiscal year as well as the current status of the issues by division. He noted that 49 issues have been closed this fiscal year, with 34 originating from the Information Systems Division.

Then he reviewed the open issues log which is abbreviated to only show the issues that are deemed higher risk. He noted that in reviewing the 5 issues with an overall higher risk rating, 4 of the findings are in progress with 3 expected to be completed by January 2026 and the fourth by fiscal year end 2026. The remaining issue was tested by IAD, and further remediation is required. Finance has submitted a revised remediation plan for this issue with an expected completion date of November 2025.

9. Open Issues Remediation Plan

Mr. Johnson further discussed the open issues remediation plan by noting that the Benefits Administration issues will be addressed by January 2026, 2 additional will be completed within FY26, and the Finance Division issue will be remediated in CY25.

Trustee Pittman suggested that the remediation plan for the issues that have stayed open for more than a year should be updated chronologically on a quarterly basis. Trustee Pittman drew AC members' attention to the chart where the issues are broken down by their root cause. This chart shows whether the issues are related to people, policies or processes. She added that she has asked Mr. Rongione to present the findings in a "If" and "Then" statement in the future audit reports which will state the outcome of the issue. She believes this will assist AC to assess the degree and nature of the risk and where the focus needs to be in terms of remediation. This will also assist with assessing the risk impact and risk type. Trustee Sandlass agreed with the suggestion. He then asked if the new CFO had come on board yet. Mr. Noven introduced Tonia Shultz as the new CFO saying that she used to be the auditor for the Agency. Mr. Howard added that Ms. Shultz started with the Agency in April 2025, and it has been a great experience. Trustee Pittman welcomed Ms. Shultz and acknowledged Mr. Howard's position as the new COO.

10. Annual Risk Assessment

Mr. Rongione presented the memo that details the annual risk assessment process. He stated that the purpose of this memo is to give the AC members an overview of the risk assessment process. He then went over the key takeaways from the memo:

- The risk assessment follows internal auditing standards.
- IAD performs a risk assessment to develop a risk-based audit plan so the higher risk areas can be audited.
- The risk assessment process includes the following summarized steps:
 - First, obtain an understanding of the agency.
 - Next, identify, assess, and prioritize risks.
 - Then, estimate resources.
 - Last, propose an annual audit plan.
- A separate risk assessment for the Investment Division will be conducted by the contractual audit firm, UHY LLP.
- The proposed audit plan is flexible, and any emerging risks will be evaluated, and if necessary, a change to the audit plan will be proposed to the AC for approval.
- The IIA has issued new standards that became effective in January 2025. One of the new standards requires continuous risk assessment. To meet this requirement, IAD

will perform a refresh to the risk assessment halfway through the year and update the audit plan accordingly.

- The memo includes a heat map of the higher risk items that have been selected for inclusion in the audit plan. The memo also includes a listing of the other agency business processes that are color coded by risk in descending order.

Trustee Sandlass asked about the Teacher Appropriation audit that is included in the audit plan. Mr. Rongione described the process, stating that it is the direct billing of the local employers' share of Teacher's Appropriation. Agency bills local employers quarterly as they are responsible for paying a portion of the employer contributions for local employees. Trustee Sandlass asked whether this audit will include reviewing similar items as the PGU audits. Mr. Rongione answered by saying IAD will gather a population of the bills prepared by the Agency and then review the internal processes for preparing the bills, the timeliness, frequency of follow-ups, and the process of collecting funds.

11. FY 2026 Audit Plan

Mr. Rongione presented the proposed FY26 audit plan stating that the plan is based on the results of the annual risk assessment and available audit hours. He then highlighted the following items from the plan:

- IAD has split the audit plan into two sections: "July to December" and "January to June".
- In December IAD will perform an update to the risk assessment and propose audits for "January to June" timeframe.
- IAD's focus from "July to December" includes:
 - Data analytics
 - Revision of Pension Allowance Audit
 - Teacher Appropriation Audit
 - Three IT audits
 - An Investment risk assessment and an Investment audit. The Investment audit area will be *Portfolio Management and Ongoing Due Diligence* that was deferred from last fiscal year.

Trustee Pittman asked about how the hours were determined for "January to June" timeframe for the perspective audits. Mr. Rongione answered by saying IAD estimated total available hours and then subtracted holidays, State benefit hours and administrative hours. The remaining hours are allocated to audits. Mr. Rongione added that there are two Retirement Admin audits that are listed as TBD however, it is dependent upon the results of the revised risk assessment. If the revised risk assessment indicates there is a higher risk area within the Finance Division, hours will be allocated there.

Trustee Pittman also wanted to clarify the hours allocated to Investment. She asked whether two audits will be added based on the risk assessment refresh in addition to the carryover audit from last fiscal year. Mr. Rongione said he will clarify this with UHY LLP since IAD has 5,000 available hours from UHY, and majority of it gets allocated to PGU and cyber security audits. Trustee Pittman asked why Portfolio Management and Ongoing Due Diligence was not completed in last fiscal year. Mr. Rongione said it was a combination of multiple factors – the Chief Investment Officer was retiring, and the OLA audit had just kicked off which required significant involvement from Agency staff therefore less hours were available.

On a motion made by Trustee Sandlass and seconded by Trustee Norman, FY26 Audit Plan was approved.

12. Completed Audits

Mr. Rongione reviewed the results of the completed audits as follows:

- 1) *Contact Information Change Audit*: This was a “Yellow” report, meaning improvement is needed. The scope included the controls and processes during the period of July 1, 2024, through December 31, 2024. The audit identified 4 issues, 2 of which were rated as moderate. Management has agreed with the issues and responded with an acceptable remediation plan.
- 2) *MPAS Data Entry Audit*: This was a “Yellow” report, meaning improvement is needed. The scope included the data received and entered into the agency’s system during the period of July 1, 2024, through December 31, 2024. The audit identified 3 issues, 2 of which were rated as moderate. Management has agreed with the issues and responded with an acceptable remediation plan.
- 3) *IT General Controls Audit*: This was a “Green” report, meaning an acceptable state of control or compliance. The scope included the IT General Controls during the period of July 1, 2024, through February 28, 2025. The audit identified 3 issues, 1 of which was rated as moderate. Management has agreed with the issues and responded with an acceptable remediation plan.
- 4) *Internal Trading Audit*: This audit was performed by UHY LLP, and they issued a “Green” report, meaning an acceptable state of control or compliance. The scope included trades made by the Investment Division during calendar year 2024. No issues were identified during the audit.

13. Motion to Meet in Closed Session

On a motion made by Trustee Sandlass and seconded by Mr. Martin, the AC voted to meet in a closed session, beginning at 12:03 p.m. to:

- (a) Review 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), the exercise of an administrative function; and General Provisions Art., § 3-305(b)(13), to comply with a specific statutory constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter 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) Discuss 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 devices; and

(c) Review actions taken following allegations of non-receipt of EFT payments by certain retirees, in order to prevent public disclosure of confidential retirement records, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific statutory constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records; and in order to protect confidential network security information, pursuant to General Provisions Art., § 3-305(b)(15), to discuss cybersecurity, if the Audit Committee determines that public discussion would constitute a risk to (i) security assessments or deployments relating to information resources technology, (ii) network security information, including information that is related to an assessment of the vulnerability of a network to criminal activity, or (iii) deployments or implementation of security personnel, critical infrastructure, or security devices.

CLOSED SESSION

Committee Members present:

Mia N. Pittman, Chairman	Jon Martin
Robert F. Sandlass, Jr., Vice-Chairman	Jamaal Craddock
Richard E. Norman	

Staff members present:

Martin Noven, Executive Director	Katherine Morris
Gary Burgess	Megan Myers
Sarah Carta	Kimberly O'Keefe
Cheryl Davis-Shaw	David Rongione
Michael Howard	Tonia Shultz
Derrick Johnson	Lauren Smith
Lisa Jordan	Richa Sultana
Courtney Key	Dave Toft
Thomas Montanye	

Assistant Attorney's General present:

Alex Harisiadis

Other attendees present:

Thomas Rey

14. Ratify Closed Session Minutes

The Committee approved the closed session minutes from the April 1, 2025 meeting.

17. Motion to Adjourn Closed Session and Return to Open Session

The Committee returned to Open Session beginning at 12:16 p.m.

OPEN SESSION

Committee Members present:

Mia N. Pittman, Chairman
Robert F. Sandlass, Jr., Vice-Chairman
Richard E. Norman

Jon Martin
Jamaal Craddock

Staff members present:

Martin Noven, Executive Director
Gary Burgess
Sarah Carta
Cheryl Davis-Shaw
Michael Howard
Derrick Johnson
Lisa Jordan
Courtney Key
Thomas Montanye

Katherine Morris
Megan Myers
Kimberly O'Keefe
David Rongione
Tonia Shultz
Lauren Smith
Richa Sultana
Dave Toft

Assistant Attorney's General present:

Alex Harisiadis

Other attendees present:

Thomas Rey

18. Committee-led Discussion

Mr. Noven mentioned that he is discussing with the Chair and Vice Chair regarding committee assignments which will be made in August 2025. He added that one new trustee is interested in serving in AC.

Trustee Sandlass asked about how the information requested from AC flows into the audit plan. Trustee Pittman answered by saying they are analyzed as part of the risk assessment.

19. Next Audit Committee Meeting

Trustee Pittman mentioned that the next AC meeting will be on November 12, 2025.

20. Motion by the Audit Committee to Adjourn Meeting

On a motion made by Trustee Sandlass and seconded by Mr. Martin, the meeting adjourned at 12:33 pm.

Respectfully submitted,

David Rongione
Audit Committee Secretary