

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

**MINUTES OF THE MEETING OF January 18, 2022**

The Audit Committee convened on Tuesday January 18, 2022 at 10:30 a.m. via video conference call with the host site at 120 East Baltimore Street, Baltimore, Maryland.

Committee members present were: Richard E. Norman, Chairman  
Thomas M. Brandt, Vice-Chairman  
Linda Vaughn Allen  
Jamaal R. A. Craddock  
Kenneth B. Haines

MSRA attendees were: Martin Noven, Executive Director  
Kimberly O'Keefe, Deputy Retirement Administrator  
Megan Myers, Deputy Retirement Administrator  
David Rongione, Chief Internal Auditor  
Rachel Cohen, Principal Counsel  
Emily J. Spiering, Assistant Attorney General  
Andrew Palmer, Chief Investment Officer  
Toni Voglino, Senior Compliance Officer  
Melody Countess, Chief Operating Officer  
Robert Diehl, Chief Information Systems Officer  
Thomas Montanye, Deputy Chief Information Systems  
Officer  
Angie Jenkins, Executive Assistant  
Lauren Smith, Internal Audit Contract Manager  
Gregory Busch, IT Audit Manager  
Richa Sultana, Internal Audit Manager

Clearview Group attendee was: Jeffrey Binford, Principal

**1. Minutes of the November 9, 2021 Audit Committee Meeting**

On a motion made by Mr. Haines and seconded by Mr. Brandt, the minutes of the November 9, 2021 Audit Committee meeting were approved.

**2. Internal Quality Assurance Results**

Mr. Rongione mentioned that Internal Auditing Standards require that a quality assurance and improvement program are implemented by the Internal Audit Division (IAD). Mr. Rongione reviewed the results of the IAD's Quality Assurance and Improvement program for calendar year 2021. He mentioned that there are two components of this

quality assurance program – 1) Review of selected audits after their completion; and 2) Annual review of internal audit operations for compliance with general standards. He said based on the review performed, IAD operated within standards and there were no recommendations for improvements.

### **3. Audit Plan Status**

Mr. Rongione reviewed the status of the Audit Plan indicating that the Enrollments and SWIFT Assessment audits are complete. He added by saying that IAD has kicked off the Cash Receipts audit as well as the three annual IT audits. He continued by saying the outsourced Cybersecurity audit is currently in progress, and he expects it to be completed within six weeks. Mr. Rongione said the outsourced Investment Valuation and Performance audit has also started. He provided an update on the participating employer audits by saying that IAD has started these internally due to the delay in the procurement for this service.

Mr. Brandt inquired about the SWIFT Assessment audit and requested further detail on the history and implication of this audit. Mr. Rongione answered by saying that SWIFT is Bloomberg's communication platform. In order to use this communication channel, the Agency must comply with SWIFT's guidelines. He added by saying an annual assessment is required to ensure the Agency is complying with the controls mandated by SWIFT. Mr. Rongione asked Mr. Palmer whether he would like to add any additional information. Mr. Palmer added that SWIFT is not only a platform used by Bloomberg, it is a global financial network for processing payments. He mentioned that this platform is used to move money around the globe.

Mr. Brandt commented that based on his research, it appears that SWIFT has major cyber security implications because moving funds globally is the greatest target for malware and mischief. He also expressed concern on who is writing the agenda for checks and balances since this is a vulnerable topic. Mr. Palmer answered by saying that to address these types of security concerns, SWIFT holds everyone to a high standard for security amongst all participants.

### **4. Open Issues Log**

Mr. Rongione reviewed the open issues log mentioning that IAD was able to close nine of the issues since last meeting, and six new issues were added with the completion of the most recent audits.

### **5. Data Analytic / Continuous Audit Dashboard**

Mr. Rongione directed the Audit Committee to the table that shows the number of exceptions identified during the continuous audits for Q1 FY2022 and Q2 FY2022. He mentioned that there was a significant decrease of exceptions from quarter to quarter. He also reviewed the table that showed the number of exceptions on a year-to-year basis and the number of remaining issues. Mr. Rongione advised that the remainder of open issues is related to documents not being scanned into the Agency's imaging system (MDS). Based on his communication with the management, it is his understanding that the documents are in the office which were never scanned into MDS. He mentioned that once

management informs IAD that the imaging is complete, IAD will work to remediate these open issues prior to the next meeting.

## **6. CY 2022 Audit Committee Meeting Dates**

Mr. Rongione reviewed the next Audit Committee meeting dates as follows:

January 18, 2022

April 19, 2022

July 19, 2022

November 10, 2022 (Previously November 8, 2022)

Mr. Rongione mentioned that these dates were approved in the last meeting however, the November date had to be changed as November 8, 2022 is Election day when the State offices are closed. The November meeting has been moved from November 8, 2022 (Tuesday) to November 10, 2022 (Thursday).

On a motion made by Mr. Brandt and seconded by Mr. Haines, the Audit Committee meeting dates were approved.

## **7. Completed Audits**

Mr. Rongione reviewed the completed audits starting with the SWIFT Assessment audit which was a “Green” report, meaning that there was an acceptable state of control and compliance. He added that the scope included examining the controls specified in the SWIFT framework for calendar year 2021. IAD tested the mandatory controls prescribed in SWIFT framework noting no exceptions.

He then reviewed the Enrollments audit report which was a “Yellow” report, meaning improvement is needed. He mentioned that the scope of the audit included the process of enrolling eligible employees during the period of July 2020 through June 2021. He continued by saying that the audit identified six issues which are detailed in the report. Management has agreed to the issues and responded with an acceptable remediation plan. Mr. Rongione added that he expected this result because the audit scope period included the transition period when State employees began teleworking due to the COVID-19 pandemic.

Mr. Rongione presented the Investment Management Reporting audit report which was a “Green” report, meaning that there was an acceptable state of control and compliance. He continued by saying the scope included examining internal controls over investment management reports prepared for internal and external parties during the period of July 1, 2020 through June 30, 2021. He mentioned that no issues were identified in this audit.

## **8. Other Business**

Mr. Rongione provided an update on the Internal Audit Services procurement. He had anticipated that IAD would have had a new vendor by January 2022, however this procurement is moving slower than anticipated. His revised estimate for completion of this procurement is late March 2022/early April 2022. He added that this delay will potentially impact the financial statement audit, as the financial statement auditor relies

on the census data testing performed by this contract. Mr. Rongione mentioned that his team has started to perform this testing internally to mitigate the risk of not having testing performed.

Mr. Rongione also mentioned that the Agency has received Office of Legislative Auditor's (OLA) discussion notes. A meeting has been scheduled with OLA during the second week of February to review the findings included in the discussion notes. Mr. Norman inquired about the findings. Mr. Rongione answered by saying that the discussion notes contained two findings, and that he is in the process of vetting the findings internally with the Agency. Mr. Rongione added that he expects the discussion notes will be brought to the Audit Committee's attention during the April 2022 meeting.

**9. Motion by the Audit Committee to adjourn meeting**

On a motion made by Ms. Allen and seconded by Mr. Haines, the meeting adjourned at 10:46 a.m.

Respectfully submitted,

*David Rongione*

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David Rongione, Secretary