

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

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

The Audit Committee met on Tuesday January 21, 2020 at 11:05 a.m., in the Board Room of the Maryland State Retirement Agency at 120 East Baltimore Street, Baltimore, Maryland.

Committee members present were: David B. Hamilton, Chairman  
Richard E. Norman, Vice-Chairman  
Michael J. Stafford  
Jamaal Craddock (by phone)

MSRA attendees were: R. Dean Kenderdine, Executive Director  
David Rongione, Chief Internal Auditor  
Kenneth Reott, Retirement Administrator  
Kimberly O’Keefe, Deputy Retirement Administrator  
Rachel Cohen, Principal Counsel  
Jody Shaw, Deputy Counsel  
Melody Countess, Chief Operating Officer  
Andrew Palmer, Chief Investment Officer  
Robert Burd, Deputy Chief Investment Officer  
Toni Voglino, Senior Compliance Officer  
Lauren Smith, Internal Audit Contract Manager  
Richa Sultana, Internal Audit Supervisor

**A. Minutes of the November 12, 2019 Audit Committee Meeting**

On a motion made by Mr. Norman and seconded by Mr. Stafford, the minutes of the November 12, 2019 Audit Committee meeting were ratified.

**B. Internal Trading Segregation of Duties**

Mr. Rongione mentioned that during the audit committee meeting held on November 12, 2019, Mr. Stafford had requested more information on the segregation of duties in place related to the process of internal trading. He noted that the Investment Division has prepared a memo detailing the controls currently in place, which is included in the agenda packet starting on page 6.

**C. Internal Quality Assurance Results**

Mr. Rongione presented the results of the Internal Audit Division’s quality assurance efforts for calendar year 2019. There were two components to the quality assurance efforts – reviews of selected audits, and a review for compliance with general internal audit standards. Based on the review, IAD operated within standards and there were no recommendations for improvements.

Mr. Hamilton asked whether the number of withdrawn PGU’s presented in the CAFR was a total number, or only for that specific year. Mr. Rongione answered by saying that it is the total number.

Mr. Hamilton also asked whether any of the withdrawn PGU's owe any balance and how the balance owed is determined. Mr. Rongione mentioned that the actuary performs a withdraw liability calculation to determine any future liability. Mr. Reott added by saying an amortization schedule is maintained for all liabilities. Mr. Hamilton wanted to know what might be the balance of the total owed amount. Mr. Reott mentioned that he does not have that information readily available as this is maintained by Finance. Mr. Rongione said he would gather the requested information on this matter and present it during the next Audit Committee meeting.

Mr. Hamilton inquired about whether there are any reluctant payer and if there is any payment plan in place. Mr. Rongione said he is not aware of any reluctant payers. Ms. Cohen said the agency has an obligation agreement along with an amortization schedule for any balance owed by the PGU's.

#### **D. FY2020 Audit Plan Status**

Mr. Rongione presented the FY2020 audit plan status, noting that the Retiree Withholding Tax audit is complete. IAD is currently wrapping up the fieldwork phase of the CRM – Data Conversion/Integration audit that is expected to be finalized in the next month. He mentioned that IAD has started the planning phase of the MDS – Data Conversion/Integration audit. He also reviewed the status of the Participating Employer Audits noting that 75% of the audits are in-progress and 25% have not yet started.

#### **E. Status of Open Issues Log**

Mr. Rongione presented the status of the open issue log. He mentioned that IAD closed two open issues since the last Audit Committee Meeting and added five new issues related to the most recent completed audits.

#### **F. Evaluations**

Mr. Rongione mentioned the Audit Committee Charter requires that a self-evaluation occur every two years. The last evaluation occurred in April 2018. Mr. Rongione said he would be sending out the evaluation in the near future so that the results of the evaluation can be presented at the next Audit Committee meeting.

He also mentioned that an IAD performance survey would be sent. He requested the Committee members to complete this survey. The results of the survey will also be presented at the next Audit Committee meeting.

Mr. Hamilton was interested in knowing whether the Joint Committee on Pensions (JCP) is interested in receiving the granular details such as copies of the Audit Committee Charter. Mr. Rongione and Mr. Kenderdine informed him that JCP does not receive these details.

#### **G. Completed Audits**

Mr. Rongione noted that IAD has completed the Retiree Withholding Tax audit. The audit report is "Green", meaning that there was an acceptable state of control and compliance and no significant issues were identified. He mentioned the audit scope included the processing of tax forms, tax calculation and reporting of taxes related to calendar year 2018. He noted that the audit identified five issues, which are detailed in the report, and Management has agreed to the issues and responded with an acceptable remediation plan.

#### **H. Other Business**

Mr. Rongione mentioned that the contract with the Financial Statements audit has expired. IAD is waiting on the Office of Comptrollers for their evaluations of the RFP's. He also noted that the next Audit Committee meeting would be on April 21, 2020 after the Board of Trustees meeting.

**I. Motion to Adjourn**

On a motion by Mr. Norman, and seconded by Mr. Stafford, the Committee approved to adjourn the meeting at 11:25 a.m.

Respectfully submitted,

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David Rongione, Secretary