

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

MINUTES OF THE MEETING OF February 16, 2016

The Audit Committee met on Tuesday, February 16, 2016 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: F. Patrick Hughes, Chairman (by phone)
James A. Bush, Jr.
James “Chip” DiPaula
Kenneth B. Haines
Richard E. Norman

MSRA attendees were: David Rongione, Chief Internal Auditor
Margaret Bury, Retirement Administrator
Rachel Cohen, Principal Counsel
Melody Countess, Chief Operating Officer
Michelle Lowery, Deputy Chief Operating Officer
Kenneth Reott, Deputy Retirement Administrator
Brian Feilinger, Internal Audit Contract Manager
Lauren Smith, Internal Audit Supervisor

A. Minutes of the November 10, 2015 Audit Committee Meeting

On a motion made by Mr. Bush, and seconded by Mr. Norman, the minutes of the November 10, 2015 Audit Committee meeting were approved.

B. Completed Audit – Data Transfer to the Actuary

The Committee reviewed the audit report for Data Transfer to the Actuary, which was issued on December 14, 2015. Mr. Rongione told the Committee that this was a “green” report, indicating that no significant issues were identified.

C. Contractual Audits Update

Mr. Rongione told the Committee that the operational audit of Credit/Debt Strategy investments is underway. It began last week with an entrance conference, followed by interviews of Investment staff in order to document the process and identify related risks and controls. This will be followed by additional fieldwork. He expects the audit report to be available for the next Audit Committee meeting.

Mr. Rongione also provided the Committee with a status update on the audits of participating employers that are being performed by CliftonLarsonAllen. Fifty audits are scheduled for FY 2016. Currently, 26% of the audits have been completed, 62% are in process, 10% have not been started, and 2% have been

deferred.

Ms. Bury told the Committee that her staff has not been able to follow up on the audits' findings, so far, due to a lack of staffing. However, she is currently in the process of recruiting someone that will be responsible for this function.

D. Audit Plan Status

Mr. Rongione provided the Committee with a status update for the FY 2016 audit plan. He noted that the Cash Flow Management audit began last week. After its completion, staff will begin the Disaster Recovery audit.

E. Status of Open/Closed Audit Findings

The Committee received a listing of open and closed audit issues. There are currently 29 open items, and 12 closed items. A pie chart shows the allocation of open issues for each division within the Agency. Mr. Hughes noted that follow up on the items had been hampered by the shortage of staff.

F. Internal Audit Staffing Update

Mr. Rongione told the Committee that Internal Audit has received approval to fill one of its two vacant Internal Auditor II positions. Applications have been received, and interviews are scheduled to begin later this week. He is hoping to hire someone within the next month.

G. Closed Session

On a motion made by Mr. Norman, and seconded by Mr. Haines, the Committee voted to meet in a closed session beginning at 12:55 p.m. in Room 1654 of the Maryland State Retirement Agency at 120 East Baltimore Street, Baltimore, Maryland for the purpose of:

1. Reviewing the results of the Audit Committee Self-Evaluation, pursuant to the General Provisions Article, Section 3-103(a)(1)(i) to exercise an administrative function, and
2. Reviewing Internal Audit Performance Surveys, pursuant to the General Provisions Article, Section 3-103(a)(1)(i) to exercise an administrative function, and Section 3-305(b)(1), to exercise a personnel function.

The Trustees present included:

F. Patrick Hughes, Chairman	James A. Bush, Jr.
James "Chip" DiPaula	Kenneth B. Haines
Richard E. Norman	

Agency Staff members attending included:

David Rongione	Margaret Bury	Melody Countess	
Michelle Lowery	Kenneth Reott	Brian Feilinger	Lauren Smith

Assistant Attorney General present included: Rachel Cohen

On a motion made by Mr. Norman, and seconded by Mr. Bush, the Committee voted to return to open session at 12:58 p.m. in Room 1654 of the Maryland State

Retirement Agency at 120 East Baltimore Street, Baltimore, Maryland.

OPEN SESSION

H. Other Business

The Committee's next meeting is on Tuesday, June 7, 2016. There being no further business before the Committee, on a motion by Mr. Bush, seconded by Mr. Norman, the meeting was adjourned at 1:00 p.m.

Respectfully submitted,

David Rongione, Secretary