

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

MINUTES OF THE MEETING OF April 19, 2022 – Open Session

The Audit Committee convened on Tuesday April 19, 2022 at 11:00 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
Jamaal R. A. Craddock
Kenneth B. Haines

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

RSM attendees were: Andrew Weidenhamer, Principal
Ryan Millerick, Risk Consulting Manager
Amy Black, Director of Security, Privacy, and Risk
Services

Clearview Group attendee was: Jeffrey Binford, Principal

1. Motion by the Audit Committee to meet in Closed Session

Mr. Norman inquired about the reason for meeting in closed session. Ms. Cohen answered by saying that the cyber security audit report has some specific exceptions, and

public discussion of those exceptions may raise the risk of breach of security. On a motion made by Mr. Haines and seconded by Mr. Brandt the Audit Committee met in closed session.

2. Minutes of the January 18, 2022 Audit Committee Meeting

On a motion made by Mr. Haines and seconded by Mr. Brandt, the minutes of the January 18, 2022 Audit Committee meeting were approved.

3. Audit Plan Status

Mr. Rongione reviewed the status of the Audit Plan indicating that there are currently 5 audits in progress. He expects to have all of them completed by the end of the fiscal year. He added by saying that progress is being made on the participating employer audits, however these are significantly behind schedule due to the delay in the procurement for this service. He mentioned that there is a significant increase in the open issues log for the Information Systems department mainly due to the cyber security audit completed by RSM USA LLP.

4. Data Analytic / Continuous Audit Dashboard

Mr. Rongione reviewed the Data Analytics table that shows the number of exceptions by quarter for the fiscal year. He mentioned that the DOB Verification for Members is producing the most issues. He added by saying that after each analysis is complete on a monthly basis, a detail report is drafted and shared with management for them to take corrective action. He directed the Audit Committee to the table that compares year to year data. He emphasized in the far-right columns of that table shows the number of remaining open issues. He mentioned that there are 11 open issues from FY2021. Management has indicated that some of these issues have already been corrected. IAD is waiting for proper support documents to be scanned into the Agency's document imaging system so it can be verified and removed from the issues log.

5. Open Issues Log

Mr. Rongione mentioned that IAD was able to close two issues since last meeting. He said 28 new issues were added with the completion of the most recent audits. He added by saying there are 46 remaining issues of which 34 issues are related to this fiscal year. 28 of them are related to cyber security audit and 6 issues are related to the Enrollments audit. Of the 12 issues that are related to last fiscal year, 8 of them are related to the investments audit which are currently under review.

6. Agency Wide Risk Assessment

Mr. Rongione mentioned that the Annual Risk Assessment process will begin in May 2022. Questionnaires will be sent to Audit Committee members, management, and staff. The results of the questionnaires will be compiled to determine business process risks, and the risks will then be rated based on likelihood and impact. The processes are then

sorted based on risk and the highest risk processes will be included in the FY23 Audit Plan.

7. Completed Audits

Mr. Rongione reviewed the results of the recently completed audits. He mentioned that the Annual Network Security Audit was a “Green” report, meaning that there was an acceptable state of control and compliance. The scope of the audit included examining network security controls during the period of July 1, 2021 through March 1, 2022. The audit identified one issue, and Management has agreed to the issue and responded with an acceptable remediation plan.

Mr. Norman inquired for more information regarding the exception. Mr. Busch responded, giving more detail of the finding. Mr. Brandt asked whether the issue reported in this audit was already included in the RSM USA LLP’s cyber security audit report. Mr. Rongione responded yes and added by saying IAD’s audit focused more on compliance with the IT security manual, and that any potential variance in findings between the reports could be due to the scope and timing of the audits.

Mr. Rongione presented the Investment Valuation and Performance audit report which was also a “Green” report, meaning that there was an acceptable state of control and compliance. The scope included examining controls over the valuation process during the period of December 1, 2020 through December 31, 2021. No issues were identified during this audit.

8. Annual Investment Compliance Report

Ms. Voglino mentioned that the Investment Compliance team will be reporting any issues to the Audit Committee that the Board should know about. The Investment Compliance team is proposing presenting the report on an annual basis. The report will include topics such as external and internal investment guideline monitoring, incomplete external manager questionnaires, private fund annual certification results, violation on personal trading policy, conflict of interest and code of ethics issues. The report will also include information on staff training, reporting on regulatory and compliance issues and the ratings in Sudan and Russian Divestment Program.

Ms. Voglino advised that some of the items in the report may have employee names, therefore meetings may have to go into closed session. Ms. Voglino added that if the Audit Committee has any additional input, she will be more than happy to include them in the report.

Mr. Brandt inquired if the Agency encounters any friction with funds in relation to side letters. Ms. Voglino stated that the Agency has not experienced any issue with the private equity funds to comply for the annual certification. Ms. Cohen stated that a memo was presented to the Board related to the side letters which predates Mr. Brandt’s membership at the Board. She said that she will send a copy of that memo to Mr. Brandt.

9. Other Business

Mr. Rongione mentioned that the Internal Audit Services procurement has been finalized by IAD for the evaluation phase. Procurement has sent the results to Maryland Department of General Services (DGS) for approval which will then go to the Board of Public Works (BPW) for approval. Mr. Rongione expects the contract to take effect by July 1st, 2022.

Mr. Rongione also provided an update on the Office of Legislative Audit (OLA) report which is expected to be received by late this week or early next week. Upon receipt of the report, Mr. Rongione will share the results of the audit with the Audit Committee.

Mr. Norman mentioned that the committee will have ample of time to review the OLA audit report prior to the next Audit Committee meeting which is scheduled for July 19th, 2022.

10. Motion by the Audit Committee to adjourn meeting

On a motion made by Mr. Haines and seconded by Mr. Brandt, the meeting adjourned at 12:12 p.m.

Respectfully submitted,

David Rongione

David Rongione, Secretary