

NHRS Board of Trustees, Audit Committee
August 9, 2016

NOTE: These minutes from the August 9, 2016 Audit Committee meeting were approved and executed at the September 13, 2016 regular Meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
August 9, 2016**

**New Hampshire Retirement System
54 Regional Drive
Concord, NH 03301**

Committee Members: John Beardmore, Chair; Bill Dwyer; Germano Martins; and Maureen Kelliher. David McCrillis, absent.

Staff: George Lagos, Executive Director; Denise Call, Director of Employer Services; Mark Cavanaugh, Esq., Associate Counsel and Compliance Officer; Frank Clough, Director of Information Technology; Timothy Crutchfield, Esq., Chief Legal Counsel; Jack Dianis, Director of Finance; Larry Johansen, Director of Investments; Nancy Miller, Director of Member Services; Nina Calkins, Process Improvement Manager; Heather Fritzky, Controller; Nancy Cone, Internal Auditor.

Chair Beardmore called the meeting to order at 9:17 AM. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the minutes of the Audit Committee meeting of July 12, 2016. Trustee Martins seconded the motion and it carried unanimously.

Ms. Cone then presented the final report of the Finance Monthly Retiree Payroll Process and indicated that the Finance operation had instituted a good segregation of duties with a relatively small department and only needed to update and document the policies and procedures in PPM.

Ms. Cone then reviewed the status of the FY2016 Audit Plan noting that all of the GASB 67 employer audits, performed by the Employer Auditors and reviewed by Ms. Cone on behalf of KPMG, have been completed. In regard to the FY2017 Audit Plan, the Finance Monthly Retiree Payroll has been completed and the Member Services Monthly Retiree Benefit Process Audit is in process.

Trustee Dwyer arrived during the Audit Plan review and Chair Beardmore explained what had been discussed so far and asked if he had any questions or comments.

Ms. Cone then provided an update of the outstanding items on the Open Audit Issues Tracking System report as of August 1, 2016.

Ms. Cone then presented the follow-up review, as requested by the Committee at its July meeting, to the KPMG Information Technology (IT) audit report that was issued December 9, 2010. Mr. Clough has made significant progress in completely resolving nine of the ten issues identified in the report and continues to work toward finalizing the remaining six policies from the policies and procedures item which originally contained thirty-five. His efforts have significantly improved IT operations and information security at NHRS. Trustee Dwyer inquired as to the Computer Hardware and Software Standards Policy. Mr. Clough indicated that it encompasses performance and security standards related to the IT desktops and servers and indicated that it will be reviewed annually. Mr. Lagos added that the policy assures consistency across the organization which allows for more effective administration.

Mr. Clough then discussed his Penetration Testing memo included in the Committee materials which outlines the due diligence performed in selecting a vendor to perform system penetration testing. Trustee Beardmore asked how the three companies were selected and whether or not they possess the necessary certifications. Mr. Clough explained that he originally contacted seven or eight companies who provide the service and narrowed the choice down to three after performing due diligence. The recommended vendor has all the necessary certifications and has experience in the public sector. Trustee Dwyer inquired as to the scope of the testing and Mr. Clough indicated that initial testing will be with the external facing servers and may expand to internal equipment at a later date.

Ms. Cone then presented the proposed NHRS Fraud Policy which applies to both the Board of Trustees and NHRS Staff. Revisions recommended by the Committee at the July meeting have been incorporated. Upon request from the Chair, a motion was made by Trustee Dwyer to recommend to the full Board of Trustees that it accept the Fraud Policy as presented. The motion was seconded by Trustee Martins and it carried unanimously.

A decision on whether or not to hold a September Audit Committee Meeting is yet to be determined.

No further business came before the meeting.

A motion to adjourn made by Trustee Martins and seconded by Trustee Kelliher was carried unanimously.

Respectfully submitted,

Nancy B. Cone