

Minutes of Audit Committee Meeting
January 10, 2012
NHRS Hearings Conference Room

These minutes were approved at the Audit Committee meeting of February 14, 2012.

The meeting was convened at approximately 8:00 a.m. on January 10, 2012, at the NHRS office, 54 Regional Drive, Concord, NH. Committee members participating were: Chair Catherine Provencher, Mr. John Wozmak, Mr. Keith Hickey, and Dr. Lisa Shapiro. NHRS Board Members Kate McGovern, Ph.D. and Hershel Sosnoff also attended. NHRS staff members in attendance were Mr. Timothy Crutchfield, Esq., Chief Legal Counsel and Interim Executive Director; Mr. Jack Dianis, Director of Finance; Ms. Heather Fritzky, Accounting and Finance Supervisor; Mr. Larry Johansen, Director of Investments; and Mr. John Browne, Internal Auditor.

Upon a request from the Chair, a motion was made by Mr. Hickey to accept the minutes of the December 13, 2011 meeting. Dr. Shapiro seconded the motion, and it carried unanimously.

The first item on the agenda was a review of the Annual Ethics Survey. On a motion by Trustee Hickey, seconded by Trustee Shapiro, the Committee voted unanimously by a roll call vote to enter into non-public session under RSA 91-A:3, II(c) to discuss matters pertaining to persons named in an ethics survey response, as follows:

Ayes: Trustees Provencher, Shapiro, Wozmak, and Hickey.

Nays: None.

On a motion by Trustee Hickey, seconded by Trustee Shapiro, the Committee voted unanimously to conclude the non-public session.

The Chair next discussed a request from the Governance Committee for the Audit Committee to review its Audit Charter, specifically the composition of the Committee. Presently, the Charter reads that the Committee consists of no more than seven members of the Board of Trustees; three permanent members being the Senate Board member, the House Board member, and the State Treasurer. As state legislation passed in 2011 eliminated the Senate member and the House member from the Board of Trustees, the Chair requested a proposal to change the composition of the Committee. Mr. Hickey made a motion to recommend to the full Board that the composition of the Audit Committee be changed from its current number of seven members to five members, with the State Treasurer being the only permanent member. Mr. Wozmak seconded the motion, and it carried unanimously. This change makes the size of the Committee identical to those of other Board standing committees.

The Chair then asked Mr. Browne for a brief update on Internal Audit work. Mr. Browne stated that the Audit of Investment Administration had been completed, the report and issues list had been included in the audit package, and that the Investment Staff was working on addressing the identified control issues. Next, Mr. Browne outlined the review of Retiree Death Benefits he had started. He discussed his sample selection, testing, and that no exceptions had been identified to date. Mr. Wozmak asked what would be the audit procedure when an exception was identified. Mr. Browne explained that he would examine the control breakdown, review the control process

and expand his test work appropriately. Lastly, Mr. Browne reviewed the changes he made to enhance the Audit Tracker report. He explained that he had removed all the closed items from the prior report, therefore reducing the report by half to make it more manageable. He then explained the summary page he had added. This page presents the number of open items from the previous month, identifies each of the closed issues and new issues added, and provides the total number of outstanding control issues. The summary page also identifies issues past their targeted completion dates; for this report there was just one. The Committee discussed this one issue relating to the documentation of Board delegation of duties, and decided to hold further action until the new Executive Director was hired.

Mr. Dianis then gave a very short status of the GASB Government Pension Reporting Exposure Draft. He said the changes to reporting were still on track for mid-2012, but there still might be changes based on field testing that GASB has performed, and cost sharing concerns identified.

There being no further business, the Committee scheduled the next meeting to be prior to the Board meeting at 8:00 a.m., February 14th.

A motion to adjourn was made by Dr. Shapiro, seconded by Mr. Hickey, and it carried unanimously.