

NHRS Board of Trustees, Audit Committee  
July 13, 2021

**NOTE:** These minutes from the July 13, 2021 Audit Committee meeting were approved and executed at the September 14, 2021 regular meeting of the NHRS Audit Committee.

**Audit Committee  
Board of Trustees**

**Public Minutes  
July 13, 2021**

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

*Participating Committee Members:* Monica Mezzapelle, Chair; Maureen Kelliher; and Tim Lesko. Absent: Christopher Coates and Melvin Friese.

*Staff participating:* Jan Goodwin, *Executive Director*; Timothy Crutchfield, *Deputy Executive Director and Chief Legal Counsel*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Frank Clough, *Director of IT*; Nancy Cone, *Internal Auditor*; Larry Johansen, *Director of Investments*; Cecile Merrill, *Project Manager*; Nancy Miller, *Director of Member Services*; Christopher Murphy, *IT Systems Administrator*; and Gerard Murphy, *Director of Finance*.

Upon ascertainment of a quorum, the Chair called the meeting to order at 9:05 a.m.

Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the public and non-public minutes of the June 8, 2021 Audit Committee meeting. Trustee Lesko seconded the motion and it passed unanimously.

Ms. Cone discussed the Audit Issues Tracker report which has the same four items outstanding as last month. One is long term that will be addressed with the conversion to PGV3 and one issue for Legal/Compliance relating to the employer audit process is anticipated to be completed by December 2021. The remaining two are related to Member Services responsibilities for processing employer audit adjustments and have been outstanding since the audit report was issued in January 2020. Ms. Cone discussed the graphs comparing processing expectations established January 1, 2021 to actual progress for the adjustments that either require a file to be submitted by the employer or are manual adjustments to a member's record. The backlog is comprised of adjustments from 2017 through 2020 as a result of employer audits performed prior to January 1, 2021 and the current adjustments are the result of employer audits performed post January 1, 2021. The scenarios have different processing expectations as the Employer Compliance Auditors assumed more responsibility for audit adjustment processing post January 1, 2021. For January through May 2021, Member Services has made progress; however, previously set expectations have not been met. Overtime has been approved and staff members are

dedicated to processing these items. A full-time position to solely process employer audit adjustments was established and filled in Member Services during June.

Ms. Cone then discussed the FY2021 Internal Audit Plan. The GASB employer census data audits are in process with all twenty-three audits completed, twenty have been reviewed and submitted to Plante Moran, and three are being reviewed.

Ms. Cone then discussed the Data Security Risk Reassessment update. Seven items remain of which two are under review and five will be on-going.

Ms. Merrill then provided an overview of the PGV3 implementation project. The overall project is 43% complete and Deliverable 3 (D3) Benefit Calculation is 78% complete. LRS is currently testing D3 and there are no issues to date. LRS continues to provide D3 test cases. NHRS is assigning testers to each scenario within the test cases and testing is being scheduled. Work continues on data conversion issues, workflows and correspondences. NHRS, Segal, and LRS have finalized the employer reporting rollout and communication plan. This also includes working with the employers' payroll software vendors. Deliverable 4 (D4) includes QDROS, insurance and benefit maintenance requirements with a review scheduled in September with LRS. As part of succession planning, Tracy Knight, Senior Business Analyst, will administer D4 with guidance from Ms. Merrill.

Mr. Murphy indicated that the FY2021 Plante Moran financial audit has begun. They have the list of required documents and have already begun gathering them. Plante Moran will begin their preliminary audit work and interim testing remotely at the end of July.

Ms. Cone then presented the FY2022 Risk Assessment and Draft FY2022 Internal Audit Plan. The risk ratings are provided by Management. Changes in the risk ratings from one year to the next are usually minor and may relate to process or management changes. Changes during FY2021 include the implementation of the Contact Center where responsibilities have been transferred from the departments to the Contact Center, changes in staffing and process changes relating to employer audit adjustments. Several of the high-risk processes, along with those that are rated as a lower risk, but have the potential to be high impact were discussed. Ms. Cone then discussed the draft FY2022 Internal Audit Plan and the reasoning behind the internal audits recommended for the upcoming fiscal year. She noted that the plan can be revised as needed due to her retirement and the hiring of a new Internal Auditor along with unanticipated circumstances such as consulting activities.

Chair Mezzapelle asked the Committee if they would like an opportunity to meet privately with Ms. Cone to discuss the FY2022 Risk Assessment and draft Internal Audit Plan. The Committee declined as they did not have any questions.

Upon a request from the Chair, a motion was made by Trustee Lesko to approve the FY2022 Internal Audit Plan as presented. Trustee Kelliher seconded the motion and it carried unanimously

No further business came before the Committee.

A motion was made by Trustee Kelliher to adjourn the meeting. Trustee Lesko seconded the motion and it passed unanimously.

*Respectfully submitted,*

*Nancy B. Cone*