

NHRS Board of Trustees, Audit Committee  
May 12, 2020

**NOTE:** These minutes from the May 12, 2020 Audit Committee meeting were approved and executed at the June 9, 2020 regular meeting of the NHRS Audit Committee.

**Audit Committee  
Board of Trustees**

**Public Minutes  
May 12, 2020**

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

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

Staff: George Lagos, *Executive Director*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Frank Clough, *Director of IT*; Nancy Cone, *Internal Auditor*; Timothy Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Nancy Miller, *Director of Member Services*; and Gerard Murphy, *Director of Finance*.

The Chair called the meeting to order at 8:30 a.m. Upon a request from the Chair, a motion was made by Trustee Friese to accept the public minutes of the March 10, 2020 Audit Committee meeting. Trustee Kelliher seconded the motion and it passed with a roll call vote by all those telephonically present. *Abstentions:* Maureen Kelliher and Monica Mezzapelle.

Ms. Cone presented the Employer Reporting and Payment Penalties Internal Audit report. These are statutorily assessed penalties to employers for either not submitting their monthly payroll report and/or not providing their monthly contribution payment by the established due dates. Three issues were noted: the need to revisit 1) policies and procedures; 2) automate penalty tracking; and 3) review the waiver process. In response to a question from Trustee Kelliher, Ms. Cone indicated that the policy will be reviewed and revised in an effort to streamline and expedite the process. Mr. Lagos added that the amount of worked involved far outweighs the financial value, but the ability to assess a penalty can assist with employers that are recalcitrant to report or pay on time. Ms. Cone added that depending on the size of the employer, penalties can range from \$10 to more than \$15,000 per instance. Trustee Lesko inquired as to any COVID related issues. Mr. Murphy responded that it is being monitored, but to date staff has not seen any COVID related increase in late reporting or payment penalties.

Ms. Cone then discussed the Audit Issues Tracker report that has nine outstanding items including the three added for the Employer Reporting and Payment Penalty Audit. During the month, none were completed and five had changed target dates due to addressing COVID operational issues.

Ms. Cone then reviewed the FY2020 Internal Audit Plan. The audit of PensionGold user access rights is in process along with five Consulting Activities. Information from Plante Moran, the external auditors, relating to the employer GASB census data audits has been received and is being reviewed. These employer audits are performed on behalf of Plante Moran by the NHRS Employer Auditors under the supervision of the Internal Auditor.

*Trustee Coates telephonically entered the meeting.*

Ms. Cone then presented the FY2021 Risk Assessment and Draft Internal Audit Plan. Changes in the risk rating from one year to the next are usually minor and may relate to process or management changes. 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 discussed the reasoning behind the audits recommended for the upcoming fiscal year. Chair Lesko confirmed that the FY2021 Internal Audit Plan will be on the agenda for approval at the June meeting.

Ms. Cone provided an update on the Data Security Remediation project. In the aggregate, eighty-four percent of the high, medium, and low priority items have been completed. Of the remaining eleven items, four are targeted to be completed within the next ninety days. The seven remaining are long term and will be addressed by the implementation of PGM3.

Mr. Murphy provided an update of the remediation of issues arising from Plante Moran's FY2019 GASB CAFR audits. Mr. Murphy indicated staff continues to make progress in addressing the remaining items and further advised that meetings are under way with LRS (vendor for PensionGold) and GRS (the NHRS actuary) with regard to the PensionGold actuarial extract report. Mr. Murphy also advised that Plante Moran will be conducting their presentation to the Committee in June via WebEx.

Mr. Murphy indicated that the actuarial calendar is on track and the draft experience study will be presented to the full Board of Trustees following this meeting.

The Chair noted that there did not appear to be any matters requiring a non-public session today and the Committee members agreed. Additionally, he noted that the Committee would have an opportunity at the June meeting to conduct a non-public session with the Internal and External Auditors.

No further business came before the Committee.

A motion to adjourn made by Trustee Kelliher and seconded by Trustee Friese carried unanimously by a roll call vote.

*Respectfully submitted,*

*Nancy B. Cone*