

NHRS Board of Trustees, Audit Committee
November 12, 2019

NOTE: These minutes from the November 12, 2019 Audit Committee meeting were approved and executed at the December 10, 2019 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
November 12, 2019**

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

Committee Members in attendance: Bill Dwyer, Chair; Christopher Coates *via phone as it was not practicable for him to attend*; Melvin Friese; Maureen Kelliher; Timothy Lesko.

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 9:33 a.m. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the public minutes of the October 8, 2019 Audit Committee meeting as presented. Trustee Lesko seconded the motion and it passed unanimously among those present.

Ms. Cone provided an update on the Audit Issues Tracker report that showed five outstanding items in the Finance and Member Services areas. Four are expected to be completed by year-end and one will be addressed in conjunction with the update to PGV3.

A review of the FY2020 Internal Audit Plan indicated that two audits are completed along with two consulting activity items and two internal audits are in process along with one consulting activity. Staff has begun testing selected aspects of the Business Continuity Plan. The audit of Employer Audit Record Adjustments is in process with the Legal/Compliance and Member Services Departments. Ms. Cone explained that these adjustments are issues identified in the employer audits by the Employer Auditors and then provided to Member Services for processing. Some are manual adjustments to a specific member record and others require the employer to submit a file through the NHRS Data Reporting System (DRS) in order to correct the issue. Mr. Lagos added that the process was automated about two years ago and due to ongoing backlogs, this audit is being performed in order to determine how the process can be improved.

Ms. Cone provided an update on the Data Security Remediation project. In addition to the usual monthly statistics, she provided the Committee with an updated and itemized memo summarizing the progress to date in addressing the various recommendations. In the aggregate, eighty-two percent of the high, medium, and low priority items have been completed. All thirteen of the medium priority items, fifteen of the twenty high priority items and twenty-eight of the thirty-five low priority items have been completed. Of the remaining twelve items, five are targeted to be completed within the next ninety days and seven are long term, as they will be addressed as a part of the PGV3 upgrade. The Committee appreciated the additional detail provided in the memo. The Chair noted that significant process has been made in enhancing security controls since the data security incident in 2017.

Ms. Cone then discussed the status of Plante Moran's recommendations to strengthen internal controls or increase operating efficiencies, with NHRS responses completed for all twelve recommendations. Most recently, NHRS prepared a detailed response to the final item relating to medical subsidy administration, providing a comprehensive outline of the existing procedures and controls. Plante Moran will review the information and the process and will provide their feedback. In response to a question from the Chair, Ms. Cone confirmed that Plante Moran will provide a new list of recommendations in concert with the FY2019 audit, similar to what was submitted following the FY 2018 audit. The Chair noted that the recommendations deliver additional value to the audit process without incurring the added cost of a third-party consultant.

Trustee Coates entered the meeting at this time via phone.

Mr. Murphy then provided an update on the status of the FY2019 external audit. The draft CAFR has been completed and provided to Plante Moran for review and we anticipate hearing back from them with their comments by the end of this week. We are on schedule to present the final audited CAFR to the Audit Committee for review and approval at their December meeting. Mr. Murphy added that we have not been alerted to any issues that would potentially rise to the materiality threshold of a management letter. The Chair noted there will be a presentation by Plante Moran representatives regarding the FY2019 audit in the public session of the December Committee meeting and the Committee will also have the opportunity to meet with them in a non-public session at that time. It is anticipated that the Committee will vote to recommend the FY2019 CAFR to the full Board of Trustees for acceptance and approval at the December Board meeting.

The Chair noted that there did not appear to be any matters requiring a non-public session today and the Committee members agreed.

No further business came before the Committee.

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

Respectfully submitted,

Nancy B. Cone