

NHRS Board of Trustees, Audit Committee
November 10, 2020

NOTE: These minutes from the November 10, 2020 Audit Committee meeting were approved and executed at the December 8, 2020 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
November 10, 2020**

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

The NHRS office was closed to the public as a result of COVID-19 and the meeting was held via video conferencing. Pursuant to RSA 91-A, all votes were by roll call.

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

Staff participating: George Lagos, *Executive Director*; Timothy Crutchfield, Esq., *Deputy 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*; Nancy Miller, *Director of Member Services*; and Gerard Murphy, *Director of Finance*.

The Chair called the meeting to order at 9:32 a.m. Upon a request from the Chair, a motion was made by Trustee Lesko to accept the public minutes of the October 13, 2020 Audit Committee meeting. Trustee Kelliher seconded the motion and it passed unanimously.

Trustee Coates entered the meeting at 9:40 a.m.

Ms. Cone then discussed the Bank and Investment Accounts User Access Rights Internal Audit Report. There were two recommendations: establishing an annual review of user access rights, and; restricting the ability of the IT Administrators to process financial transactions. Mr. Murphy has already contacted the bank to have this access removed. Banking systems have an inherent control in that they do not allow the same person to initiate and approve financial transactions.

The Audit Issues Tracker report has six outstanding items including the two issues added for the Bank and Investment Accounts User Access Rights Report. One item will be long term as it relates to the PGM3 upgrade, three of the items should be completed by December 31st and the first phase of the action plans for the remaining two items were targeted to be completed in October. A follow-up audit for the Employer Audit Adjustment process is completed and the report is in process. A

consulting activity to review the Employer Audit process is completed and the report is in process.

Ms. Cone then reviewed the FY2021 Internal Audit Plan status. Four audits are completed, including the GASB census data audits on behalf of Plante Moran, and the above referenced follow-up audit and one consulting activity should be presented next month.

Regarding the Data Security Remediation project, Mr. Lagos indicated that he has been in contact with the consultants who performed the initial risk assessment and has engaged them to perform a follow-up review to evaluate the progress and validate the results. It is anticipated that this will take place by December 31, 2020. Additionally, a penetration test by an external consultant was recently performed and we are awaiting the report.

Mr. Murphy then provided an update on the FY2020 financial audit. Plante Moran has completed its remote fieldwork with only a couple of questions remaining and they have been provided with the draft CAFR for review. No major issues or significant deficiencies have been identified. We remain on schedule to have Plante Moran present the FY2020 audit at the December Audit Committee Meeting and to have the CAFR presented to the full Board of Trustees for approval at its December meeting.

Mr. Murphy then discussed the actuarial RFP. Five responses were received, the evaluation process is completed, and a staff recommendation was made to and unanimously approved by the Governance Committee to recommend to the Board that it select GRS as the NHRS actuarial consulting firm. The full Board will be asked to vote at its meeting later this morning to accept the Committee's recommendation.

The Chair noted that there did not appear to be any matters requiring a non-public session today and the Committee members agreed. Ms. Cone indicated that historically, as a best practice, the Committee enters into a non-public session with the external auditors, Plante Moran, when they present the annual audit at the December meeting.

Mr. Lagos discussed that with Ms. Cone retiring at the end of the year he wants to provide the opportunity for the Chair, or any other Committee members, to interview the prospective candidate to which Trustee Mezzapelle agreed.

No further business came before the Committee.

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

Respectfully submitted,

Nancy B. Cone