



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

HELD ON  
Tuesday, April 12, 2016  
10:30 a.m., Arizona Time

The Operations and Audit Committee (OAC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Jeff Tyne, Chair, called the meeting to order at 10:30 a.m.

The meeting was teleconferenced to the ASRS office at 4400 E. Broadway, Tucson, Arizona 85711.

### 1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jeff Tyne, Chair  
Mr. Clark Partridge, Vice Chair (joined the meeting @ 10:36 a.m.)  
Dr. Richard Jacob

A quorum of the Committee was present for the purpose of conducting business.

### 2. Approval of the Minutes of the February 9, 2016 Public Meeting of the OAC

**Motion:** Dr. Richard Jacob moved to approve the minutes of the February 9, 2016 public meeting of the OAC. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

### 3. Review of Recently Conducted Audits

Mr. Bernard Glick reviewed the following audits conducted by the Internal Audit Division (IAD).

- **City of Flagstaff – Employer Audit**

The IAD had one finding from the City of Flagstaff audit. The employer agreed with the findings and IAD's recommendations.

- **Eduprize Schools – Employer Audit**

The IAD had no findings from the Eduprize Schools audit.

- **Miami USD – Employer Audit**

The IAD had five findings from the Miami USD audit. The employer agreed with the findings and IAD's recommendations.

- **North County Fire Medical District – Employer Audit**

The IAD had no findings from the North County Fire Medical District audit.

- **Quartzsite Elementary School District – Employer Audit**

The IAD had no findings from the Quartzsite Elementary School District audit.

- **Ray USD – Employer Audit**

The IAD had two findings from the Ray USD audit. The employer agreed with the findings and IAD's recommendations.

- **Saddle Mountain USD – Employer Audit**

The IAD had five findings from the Saddle Mountain USD audit. The employer agreed with the findings and IAD's recommendations.

- **Santa Cruz Valley UHSD – Employer Audit**

The IAD had four findings from the Santa Cruz Valley UHSD audit. The employer agreed with the findings and IAD's recommendations.

- **St. David USD – Employer Audit**

The IAD had two findings from the St. David USD audit. The employer agreed with the findings and IAD's recommendations.

- **Town of Oro Valley – Employer Audit**

The IAD had one finding from the Town of Oro Valley audit. The employer agreed with the findings and IAD's recommendations.

- **Tucson Airport Authority – Employer Audit**

The IAD had one finding from the Tucson Airport Authority audit. The employer agreed with the findings and IAD's recommendations.

*Mr. Clark Partridge joined the meeting at 10:36 a.m.*

#### **4. Presentation, Discussion and Appropriate Action Regarding the Internal Audit Quarterly Update**

Mr. Bernard Glick provided a summary of the Internal Audit Quarterly Report. Mr. Glick indicated a need for a change to the Biennial Audit Plan. One of the internal auditors will be leaving soon; therefore, Mr. Glick is requesting that the Committee approve the removal of the ASRS Web Services Post Implementation and the ASRS Management Fees-Agency audits from the 2016/2017 Internal Audit Biennial Work Plan. Mr. Glick believes the two audits can be completed in 2018 if he is able to hire a replacement auditor.

**Motion:** Dr. Richard Jacob moved to accept the requested change to the Biennial Audit Plan by removing the ASRS Web Services Post Implementation and the ASRS Management Fees-Agency audits from the 2016/2017 Biennial Audit Plan. Mr. Clark Partridge seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

#### **5. Presentation, Discussion and Appropriate Action Regarding Issues Related to ASRS Information Technology (IT) Security Including:**

- A. Presentation of the ASRS Internal IT Risk Assessment**
- B. Presentation of the ASRS External IT Security Audit**

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced the topic and turned the presentation of the internal risk assessment over to Mr. Kent Smith, Assistant Director, Technology Services Division. Mr. Smith provided a brief explanation of the rankings used in the assessment and selected several potential risk/threats to highlight. Throughout the presentation, Mr. Smith responded to questions from the Committee.

Mr. Smith introduced Mr. Srinivas Mukkamala, Chief Technology Officer, RiskSense (formerly CAaNES) who will present the external agency risk assessment to the Committee. Discussion of the external agency risk assessment results required discussion in Executive Session.

**Motion:** Mr. Clark Partridge moved to go into Executive Session for the purpose of considering or discussing records exempt by law from public inspection. Dr. Richard Jacob seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

The Committee convened to Executive Session at 10:59 a.m.

*Dr. Richard Jacob left the meeting at 11:41 a.m.*

The Committee reconvened to Public Session at 12:23 p.m.

## **6. Request for Future Agenda Items**

Mr. Guarino announced the need to schedule an Ad Hoc OAC meeting within the next week to discuss and approve an LTD contract award in order to move to the full Board for final approval at the April 29 Board meeting. The Committee provided some possible dates to consider.

## **7. Call to the Public**

There were no members of the public in Phoenix or Tucson.

## **8. Adjournment of the OAC**

**Motion:** Mr. Clark Partridge moved to adjourn the meeting at 12:26 p.m. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

Respectfully Submitted,

ARIZONA STATE RETIREMENT SYSTEM

*Signed Copy on File*

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Melanie Alexander  
Committee Administrator

*Signed Copy on File*

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Anthony Guarino  
Deputy Director and Chief Operations Officer