

Audit Committee Meeting
Wednesday, June 3, 2026 – 2:30 PM
RIO Conference Room
1600 E Century Ave, Bismarck, ND 58503
[Join the meeting](#)

AGENDA

- I. CALL TO ORDER AND ACCEPTENCE OF AGENDA – *(Committee Action)***
- II. APPROVAL OF MINUTES (March 2, 2026) - *(Committee Action)***
- III. GOVERNANCE (75 minutes)**
 - A. Presentation of July 1, 2025-June 30, 2026, Fiscal Year Financial Audit Scope & Approach *(Committee Action)* – Thomas Rey, UHY, LLP
 - B. Internal Audit Strategic Plan *(Informational)* – Ms. Seiler
 - C. 2026 - 2027 Internal Audit Workplan *(Committee Action)* – Ms. Seiler
 - D. Cybersecurity Incident *(Informational)* – Ms. Smith
 - E. 2026 – 2027 Audit Committee Meeting Schedule *(Informational)* – Ms. Smith
 - F. 2026 - 2027 Audit Committee Membership *(Informational)* – Ms. Seiler
- IV. REPORTS (60 minutes)**
 - A. Internal Audit Reports *(Committee Action)* – Ms. Seiler
 1. Investment Fee Audit – Bruce Mills, Weaver
 2. Executive Limitations Audit
 3. TFFR User Role Review
 - B. 2025-26 Third Quarter Activities *(Committee Action)* – Ms. Seiler
 1. Outstanding Recommendations
- V. OTHER**

Tentative

Next SIB Audit Committee Meeting:
Wednesday, August 13, 2026 @ 2:30 PM
RIO Conference Room
1600 E Century Ave Suite 3, Bismarck, ND 58503

VI. ADJOURNMENT

STATE INVESTMENT BOARD AUDIT COMMITTEE MEETING MINUTES OF THE MARCH 2, 2026, MEETING

MEMBERS PRESENT

Thomas Beadle, State Treasurer
Cody Mickelson, TFFR Board, Vice Chair
Lisa Corbin, External Representative
Adam Miller, PERS Board
Todd Van Orman, External Representative

STAFF PRESENT

Chase Kauffeld, CRO
Missy Kopp, Executive Assistant
Sara Seiler, Supervisor of Internal Audit
Jodi Smith, Executive Director
Dottie Thorsen, Internal Auditor

GUESTS

Rick Funston, Funston Advisory
Bruce Mills, Weaver
Evan Norton, Funston Advisory

CALL TO ORDER

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:32 p.m. on Monday, March 2, 2026. The meeting was held in The RIO Conference Room, 1600 E Century Ave., Bismarck, ND.

AGENDA

The agenda was considered for the March 2, 2026, meeting.

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MR. MILLER AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MARCH 2, 2026, MEETING AS DISTRIBUTED.

**AYES: MS. CORBIN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND TREASURER BEADLE
NAYS: NONE
MOTION CARRIED**

ACCEPTANCE OF MINUTES

The Committee considered the minutes of the November 18, 2025, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. CORBIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE NOVEMBER 18, 2025, MINUTES AS DISTRIBUTED.

**AYES: MR. VAN ORMAN, MR. MICKELSON, MR. MILLER, MS. CORBIN, AND TREASURER BEADLE
NAYS: NONE
MOTION CARRIED**

GOVERNANCE

Proposed Audit, Compliance & Risk Committee Charter

The Committee reviewed the proposed Audit, Risk & Compliance Committee Charter as part of the broader governance rewrite process. The revised charter formally expands the committee's responsibilities beyond traditional audit oversight to include enterprise risk and compliance oversight. The committee will retain authority to approve the annual risk-based internal audit plan, oversee audit effectiveness and independence, review external audit findings, monitor management responses to risks and audit recommendations, and escalate significant compliance, ethics, or fraud matters to the Board.

The proposed charter would add a Chief Risk Officer position who would be responsible for operational risk for the agency. Until RIO is able to add this position, the ED will be responsible for monitoring and reporting operational risk to the SIB. The Committee discussed the importance of balancing expanded oversight with available resources.

REPORTS

2025-26 Second Quarter Activities

Ms. Seiler provided the Audit Activities report for the quarter ending December 31, 2025. The external investment oversight audit was finalized and presented to the Audit Committee in November 2025. The review focused on oversight processes for externally managed investments and resulted in recommendations to conduct annual reviews of investment policy statements and formalize procedures for manager selection and ongoing due diligence. The Investment Fee audit formally began in January and includes a detailed review of investment management and performance fees, contract terms, governance practices, and fee calculations. Results are expected to be presented at the May meeting.

Additional updates included progress on the agency's governance manual rewrite with Funston, ongoing enterprise risk assessment work used to develop the annual risk-based audit plan, and advisory support provided through Weaver during periods of fiscal staffing shortages. The report also noted follow-up work related to the TFFR file maintenance review and Model 2 Partial Audit, including updates to policies, procedures, and member account corrections associated with the new pension administration system.

Finally, the Internal Audit division reported successful recruitment for an additional auditor position after multiple recruitment attempts, strengthening the agency's audit capacity moving forward. Committee discussion followed.

Current Audit Activities

Ms. Seiler provided the Current Audit Activities report. A significant focus remains on reviewing user access and segregation of duties within the NeoSpin pension administration system. Internal Audit and Retirement staff are conducting a comprehensive review of system roles and permissions to ensure employees only retain access necessary for their job responsibilities and that temporary elevated permissions are properly time-limited and monitored. Leadership emphasized that the newer system includes substantially stronger internal controls and audit tracking capabilities than the prior system.

Weaver provided an update on the investment fee audit currently underway. The audit is reviewing external investment management and performance fees, including contract compliance, fee calculations, governance oversight, claw back provisions, and monitoring controls. Testing and sampling are currently in progress, with a final report expected by mid-April and presentation to the Committee anticipated in May.

Additional current activities include preparation for the FY2026 financial statement audit, development of a formal Internal Audit strategic plan aligned with Institute of Internal Auditors standards, evaluation of audit

management and data analytics software, and completion of the Executive Limitations audit, which is currently in draft form pending final review.

OTHER

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 3:49 p.m.

Prepared by:

Missy Kopp, Assistant to the Board

North Dakota Retirement & Investment Office (RIO) and TFFR

Financial Statement Audit Kickoff

June 3, 2026



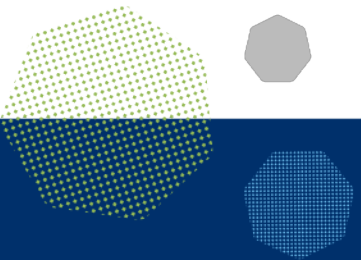
Engagement Scope

- Audit of RIO & TFFR's financial statements as of June 30, 2026
- Audit of TFFR's GASB 68 schedules as of June 30, 2026
- Report on Internal Controls and Compliance (in accordance with Government Auditing Standards)
- Written Communications with the Board



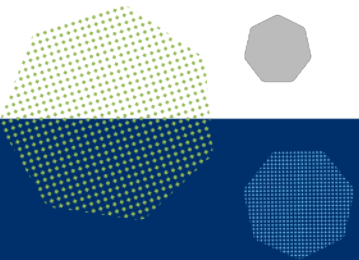
Work Plan

- Audits to be conducted in accordance with governmental auditing standards generally accepted in the United States of America
- Phased Approach – Planning, Internal Control, Employer Census Data Testing, Substantive Testing and Reporting



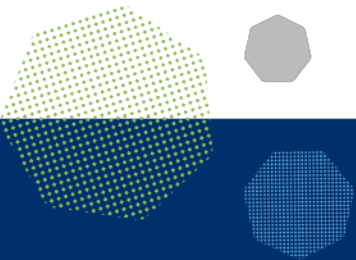
Critical Audit Areas

- Investments
- Contributions
- Benefit payments
- Actuarial data



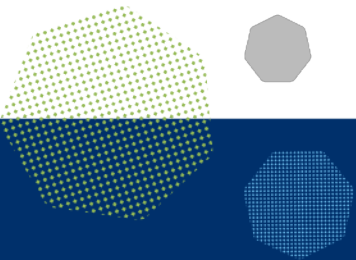
Critical Audit Areas - Investments

- Investments
 - Understanding of internal controls
 - Walkthroughs
 - Reconciliation procedures
 - Initial due diligence and on-going monitoring
 - Compliance monitoring
 - Review custodial bank's SSAE 18/SOC 1 report
 - Substantive procedures
 - Confirmation of custodial and non-custodial investments
 - Price testing of equity and fixed income securities
 - Review of audited financial statements and roll-forwards of non-custodial (alternative) investments



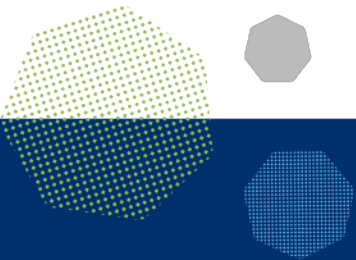
Critical Audit Areas - Contributions

- Understanding of internal controls
 - Review of internal audit procedures and reports
 - Walkthroughs of contribution and purchase of service processes
 - Test of controls over the contributions process
- Substantive procedures
 - Reconciliation of contributions from G/L to Subsidiary
 - Confirmation of contributions with employers
 - Analytical procedures including Data Analytics



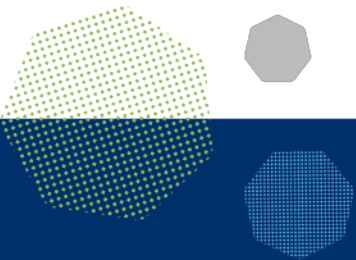
Critical Audit Areas – Benefit Payments

- Understanding of internal controls
 - Review of internal audit procedures and reports
 - Walkthroughs of benefit payment processes; separate walkthroughs for disability, survivor, regular retirement and refund processes
 - Test of controls over the benefit payment processes
- Substantive Procedures
 - Reconciliation of benefit payments from G/L to Subsidiary
 - Analytical procedures including Data Analytics



Critical Audit Areas – Actuarial Data

- AU section 500.08 - use of a management specialist
 - Evaluate the competence, capabilities and objectivity of the specialist
 - Confirm actuaries independence and accreditation
 - Prior experience with the actuaries
 - Obtain an understanding of the work of the specialist
 - Review the nature, scope and objectives of the work of the specialist
 - Evaluate the appropriateness of the work of the specialist
 - Review of the actuary report and compare key assumptions to pension and actuarial industry standards
 - Review of independent actuarial studies
 - Additional testing specific to GASB 67/68



Critical Audit Areas

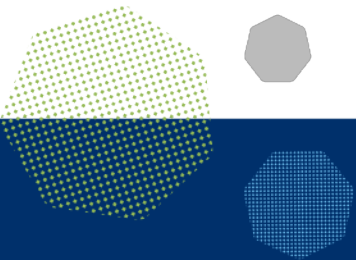
Actuarial Data

- AU section 500.08 - use of a management specialist
 - Census Data
 - Leverage data analytics performed over contributions and benefit payments to test the active and retiree census data for completeness and accuracy.
 - Select a sample of employers and test the completeness and accuracy of the active member census data.
- Utilize an independent actuary to evaluate the sufficiency and appropriateness of TFFR's actuarial valuation in accordance with AU-C 620 – Using the Work of an Auditor's Specialist.



External Audit/Internal Audit Interplay

- AU 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*
 - 315 addresses how the knowledge and experience of the internal audit function can inform the external auditor's understanding of the entity and its environment and identification and assessment of risks of material misstatement. Section 315 also explains how **effective communication** between the internal and external auditors creates an environment in which the external auditor can be informed by the internal auditor of significant matters that may affect the external auditor's work.



External Audit/Internal Audit Interplay

AU-C Section 610 - *Using the Work of Internal Auditors*

- This section addresses the external auditor's responsibilities if using the work of internal auditors. Using the work of internal auditors includes **(a) using the work of the internal audit function in obtaining audit evidence and (b) using internal auditors to provide direct assistance under the direction, supervision, and review of the external auditor.**
- Consider potential audit areas and enhancements to the audit plan by using work of internal audit in current year financial statement audit
 - ***UHY will continue to communicate and work with IA in an effort to enhance efficiency and effectiveness of process.***



Government Pension Data Analytics

Your assigned audit team is versed in the use of data analytics. We have successfully utilized data analytics in our overall audit approach in the areas of:

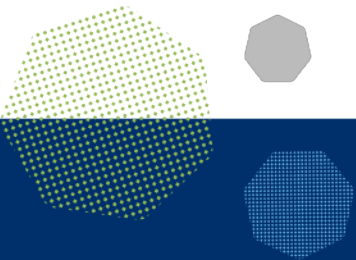
- Contributions
 - Payments/Distributions
 - Actuarial Data
- Tremendous results have been obtained in our GASB participant census data testing.
 - Potential management/internal audit benefits (Continuous auditing tools and training)
 - **Will share results and best practices with Internal Audit to assist with moving towards 'Continuous Auditing'**

Data Analysis Methodology

1. Plan	2. Identify Risk	3. Access Data	4. Technical Analysis	5. Interpret Results	6. Reporting
<ul style="list-style-type: none">• Identify engagement objectives and client needs• Understand the client's systems• Match Data Analytic Capabilities to Objectives• Understand Professional Guidance	<ul style="list-style-type: none">• Discuss known risks and weaknesses• Identify Risks by carefully considering the internal control environment and management's tone at the top• Conduct meetings with management to identify risks• Rank risks from high to low	<ul style="list-style-type: none">• Have conversations with the organization to understand system detail• Planning the Data Extraction• Prepare the Data Request List• Assist/ Monitor Client Data Extraction if Necessary	<ul style="list-style-type: none">• Ensure Proper Import• Completeness Testing• Normalize Data and prepare for analysis• Design analytics to address identified risk and accomplish objectives	<ul style="list-style-type: none">• Continuously interpret results and compare them with your expectations• Corroborate Results to Identified Risks• Identify Anomalies• Continuously reassess risk and improve procedures	<ul style="list-style-type: none">• Provide impactful Results to Client• Document Procedures and Results

Consideration of Information Technology

- General Control areas that will be reviewed include:
 - Logical Access Controls
 - Application Development and Change Control Procedures
 - Business Continuity Planning
 - System integration



Timing of Work

KEY MILESTONES	DATE
Planning	May-July 2026
Census Data Testing	June – August 2026
Understanding and Testing of Internal Controls	June – August 2026
Consideration of Information Technology	June – August 2026
Substantive Procedures	August – October 2026
Final Audit Reports	October 2026

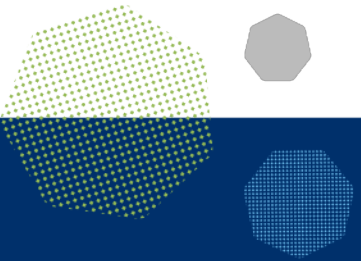


Audit Committee Discussion

- Recognizing the importance of two-way communication, we encourage you to provide us with information you consider relevant to the audit. This may include, but is not limited to the following:
 - RIO’s objectives and strategies and the related business risks that may result in material misstatements.
 - Your understanding of risks of fraud and controls in place to prevent and detect fraud.
 - Other matters you believe are relevant to the audit of the financial statements.



Questions?



About UHY

UHY is one of the nation's largest professional services firms providing audit, tax, consulting and advisory services to clients primarily in the dynamic middle market. We are trailblazers who bring our experience from working within numerous industries to our clients so that we can provide them a 360-degree view of their businesses. Together with our clients, UHY works collaboratively to develop flexible, innovative solutions that meet our clients' business challenges. As an independent member of UHY International, we are proud to be a part of a top 20 international network of independent accounting and consulting firms.



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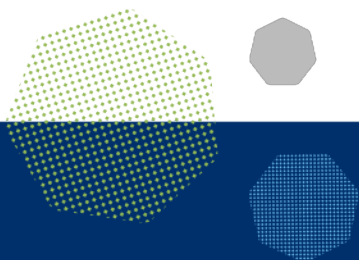
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MEMORANDUM

TO: SIB Audit Committee
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: June 3, 2026
RE: Internal Audit Strategic Plan Update

Development of the Internal Audit Strategic Plan is currently delayed pending completion of the agency-wide strategic planning process. Internal Audit intends to align its strategic objectives, priorities, and resource planning with the broader organizational strategy to ensure consistency with governance expectations and organizational risk direction.

This approach is consistent with the Institute of Internal Auditors (IIA) Standards, which emphasize that the internal audit function should support and align with the organization's strategic objectives, risk management framework, and overall mission. Upon completion of the agency strategic plan, Internal Audit will finalize and present its strategic plan for consideration.

Committee Action Requested: Information Only.

Internal Audit Workplan

Fiscal Year 2026-2027

Executive Summary

Fiscal Year 2027 Internal Audit Plan

Professional Standards

Following IIA standards and developed using risk-based methodology.

Identifies proposed internal audit engagements and advisory activities to be conducted in upcoming fiscal year.

Internal Audit operates independently from management and provides objective assurance and advisory services intended to add value and improve operations.

Audit Plan Changes



Risk-Based Adjustments

Changes to the Audit Plan may occur throughout the fiscal year due to shifts in risk, priorities, staffing, availability, or emerging issues. Internal Audit will communicate significant changes to Executive Director and Committee Chair. Updates will be provided to the Committee during regular meetings. Material amendments to the approved Audit Plan may be presented to the Committee and governing boards for review and approval, as appropriate.

Audit Planning Framework

Risk Assessment & Audit Planning Approach

Information Gathering

- Gain understanding of industry trends and current environmental risk
- Gain understanding of RIO's strategic objectives
- Update audit universe based on organizational changes, and input from staff

Risk Analysis & Proposed Audit Plan

- Meet with team members to obtain various points of view on risks
- Update risk assessment
- Develop audit plan based on risk, resource availability, and budget.
- Discuss proposed plan with Executive Director

Next Steps

- Review proposed Audit Plan with Audit Committee
- Obtain recommendations and approval from Audit Committee

Types of Projects to Cover Risk Areas

Audit

Focus: Access evidence available to provide assurance on an audit objective

Deliverable: Audit Report

Estimated Effort: 200-800 hours

Advisory (formal or informal)

Focus: Respond to request for assessment with recommendations, or providing input, no assurance provided.

Deliverable: Consulting report, memo, or verbal discussion.

Estimated Effort: 10-300 hours

Staffing and Capacity

Audit Resource Allocation

- Three-person audit team
- Co-Source relationship with Weaver
- Transition period due to retirement and onboarding
- Reduced available audit hours during operational continuity and staff transition
- Allocation between assurance, advisory, administration, and professional development

Time Allocation



Proposed Audit Workplan

Audit Universe by Division

Fiscal Year 2027

Division	Planned Activities
Investments	Public Markets, Data Governance, User Access
Fiscal	Procurement, Cash Management, User Access
Retirement	NeoSpin Testing, Employer Compliance
Agency-wide	External Audit Assistance, ERM, Follow-Up Recommendations

Core Audit Projects

Fiscal Year 2027

Audit	Focus Area
Public Markets Internal Investment Audit	Portfolio construction, trading, rebalancing, monitoring
Data Governance Audit	Controls and processes over data governance framework, integrity and accuracy of data
Procurement Lifecycle Audit	Procurement controls, contracts, records retention
Cash Management & Disbursements	Payments, reconciliations, authorizations
NeoSpin Testing	Transaction accuracy and system controls
Employer Compliance Review	Payroll reporting and contribution accuracy

Advisory & Governance Activities

Advisory Activities

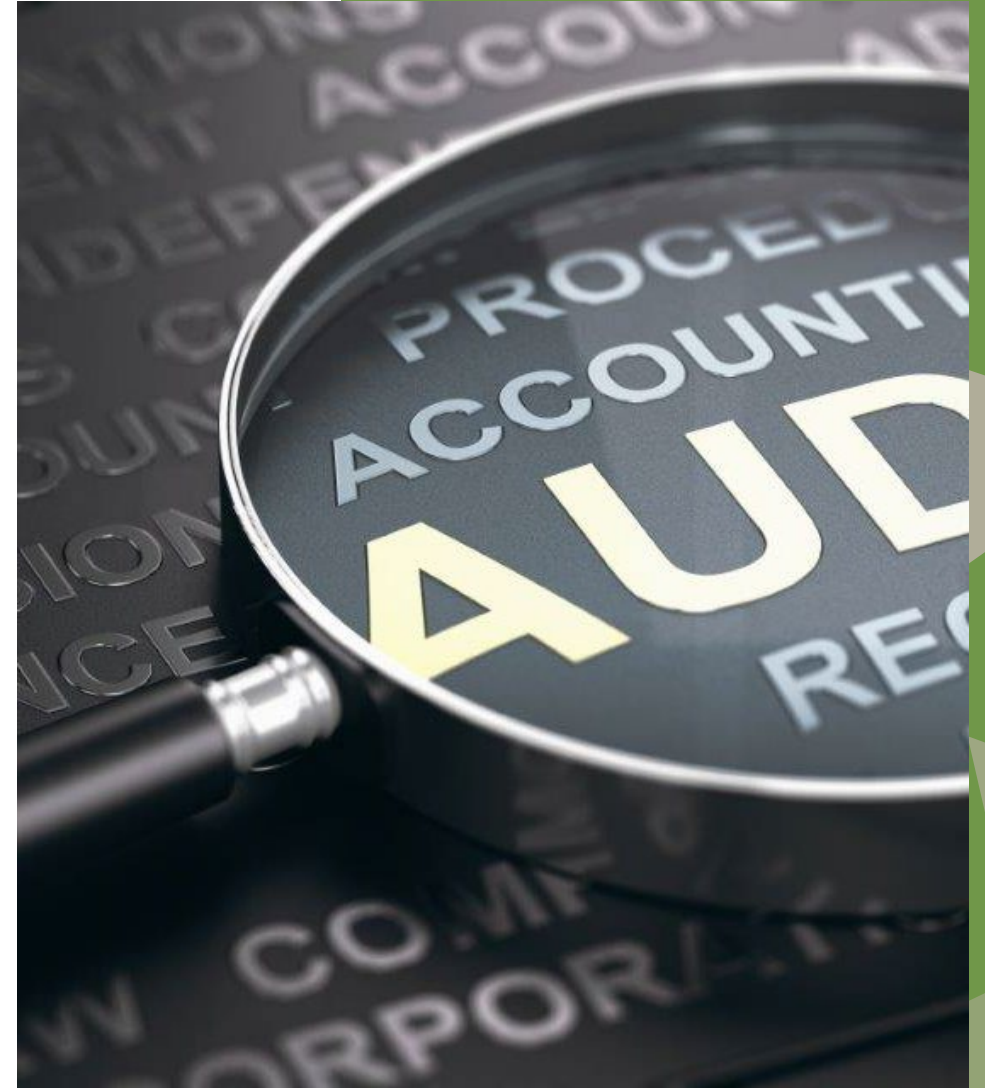
- User Role Review (fiscal & investment divisions)
- TFFR Governance Manual Review
- Enterprise Risk Management Support
- Process Improvement Consultations
- Internal Policy Committee

Governance Support

- Audit, Risk, Compliance Committee preparation
- Board and committee meeting participation
- Coordination with external auditors
- Follow-up on prior audit recommendations

Internal Audit Operational Activities

- IIA Quality Self-Assessment
- Records Retention
- Operational Knowledge Transfer
- New Employee Recruitment and Onboarding
- Administrative Activities
- Professional Development



Next Steps



FY 2027 Audit Plan Implementation

- Finalize internal audit workplan
- Begin scheduling engagements
- Continue risk monitoring
- Support Staffing Transition
- Provide Quarterly Updates to the Committee



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Be Legendary.

| Retirement & Investment

Proposed Internal Audit Fiscal Year 2027 Workplan

Division	Audit Name	Description	Type	Hours
Investment	Public Markets Internal Investment Audit Co-Sourced with Weaver	Internal Audit over the controls and oversight over the Public Equity investment processes including portfolio construction, trading, rebalancing, investment restrictions, risk and allocation monitoring, and segregation of duties.	Assurance	200
Investment/ Fiscal	Data Governance Audit Co-Sourced with Weaver	Internal Audit over the controls and processes of the data governance framework supporting investment activities to determine whether investment data is accurate, complete, timely, secure, and appropriately governed to support fiduciary decision making, regulatory reporting, risk management, and operational efficiency.	Assurance	200
Fiscal	Procurement Lifecycle Audit Co-Sourced with Weaver	Internal Audit over the controls and oversight over the purchasing and procurement processes including purchase orders, vendor management, solicitation development and evaluation, receiving, procurement exemption, procurement cards, contract administration, and records retention.	Assurance	200
Investment/ Fiscal	Cash Management and Disbursements Co-Sourced with Weaver	Internal Audit of the controls and processes for cash management and disbursements including cash forecasting, cash account reconciliations, payment processing, check requests, wire transfers, ACH payments, and annuity and agency payroll payments. The review would include payment authorizations and systematic controls in place.	Assurance	200
Investment/ Fiscal	User Access Role Audit (Fiscal and Investment Divisions)	Internal Audit will evaluate whether RIO staff maintain appropriate security roles and responsibilities within the agency drives and program used by the fiscal and investment divisions. The review will assess whether user access aligns with assigned job duties, and transaction activity corresponds to authorized responsibilities. The audit will also examine the adequacy of procedures governing user provisioning and access changes.	Assurance/ Advisory	240
Retirement	NeoSpin Testing	Internal Audit of the controls and processes related to the implementation and ongoing operation of the NeoSpin pension administration system, including retirements, disabilities, purchases, refunds, and business partner related processes. The review would include sampling transactions to assess the accuracy of calculations, workflow processing, data integrity, system functionality, and controls in place to ensure transactions are processed accurately and in accordance with established procedures and system requirements.	Assurance	650
Retirement	Employer Compliance Review (Small Employers)	Internal Audit of the controls and processes related to TFFR employer reporting and compliance, including retirement salaries, member contributions, reported service hours, and eligibility for TFFR membership. The review would include selecting a sample of participating employers with fewer than 40 members to assess compliance with applicable North Dakota Century Code requirements, accuracy of reported payroll and contribution information, and controls in place to ensure reporting to TFFR is complete and accurate.	Assurance	600
Retirement	TFFR New Governance Manual	The TFFR Board is moving forward with a governance manual rewrite, and Internal Audit will participate in an advisory role by reviewing the updated manual and related governance requirements.	Advisory	60
Agency	External Auditor Assistance	Internal Audit assists and coordinates with the external auditors on activities related to the annual financial statement audit and GASB 67/68 Audit. Responsibilities include communication and coordination with participating employers and internal staff, ensuring requested information is obtained and provided timely, and supporting the overall audit process to facilitate the efficient completion of audit procedures.	Assurance	250

Agency	Policy Committee	The Policy & Procedures Working Group, consisting of employees from across the organization, was recently established to support the governance structure by coordinating policy drafting and updates, maintaining document standards, and routing items through the appropriate review and approval process. Internal Audit participates on the Working Group in an advisory capacity.	Advisory	100
Agency	Follow-Up Recommendations	Internal Audit will conduct follow-up procedures on recommendations from prior audits to assess whether management has adequately addressed and implemented corrective actions. The review will include evaluating the status of remediation efforts, validating implementation of agreed-upon actions, and determining whether corrective measures effectively address the identified issues and risks.	Assurance	60
Agency	Enterprise Risk Management	Internal Audit participates in Enterprise Risk Management activities in an advisory role by providing input and insight on risk identification, assessment, and monitoring processes while maintaining independence and objectivity.	Advisory	80
Agency	Special Request, initiatives, and emerging issues.	Set aside time to address special requests, initiatives and emerging issues during the year requested by Management, Audit Committee, or the Boards.	Assurance/ Advisory	350
Internal Audit	Risk Assessment & Audit Planning	Internal Audit will review the agency-wide risk assessment on a semi-annual basis to identify any emerging risks, operational changes, or control developments that may require updates to the current audit plan. This ongoing monitoring ensures that the audit plan remains aligned with organizational priorities, governance expectations, and evolving risk conditions. From the risk assessment a risk-based audit plan will be developed.	Internal Audit Operational Activities	130
Internal Audit	Records Retention	Annual review and purging of audit records to ensure compliance with the agency's records retention schedule.	Internal Audit Operational Activities	80
Internal Audit	IIA Quality Self Assessment	Internal Audit will perform a Quality Self-Assessment of the Internal Audit function in accordance with Institute of Internal Auditors (IIA) Standards. As this is the first self-assessment conducted by the department, the review will evaluate conformance with applicable standards, internal audit policies and procedures, and identify opportunities for continuous improvement and enhancement of the Internal Audit program.	Internal Audit Operational Activities	250
Internal Audit	Operational Knowledge Transfer	Internal Audit will dedicate time toward succession planning activities associated with an upcoming employee retirement, including cross-training, process documentation, and knowledge transfer efforts to support continuity of operations.	Internal Audit Operational Activities	120
Internal Audit	New Employee Recruitment and Onboarding	For the recruitment, hiring, onboarding, and training activities related to staffing changes within the Internal Audit function.	Internal Audit Operational Activities	200
Internal Audit	Administrative	Administrative and operational activities supporting the Internal Audit function, including audit committee preparation and reporting, attendance at board, committee, management, staff, and divisional meetings, audit planning and coordination activities, and other ongoing departmental administrative responsibilities.	Internal Audit Operational Activities	1250
Internal Audit	Professional Development	Continuing professional education, industry training, conferences, certifications, and other professional development activities to support enhancement of Internal Audit knowledge, skills, and competencies.	Internal Audit Operational Activities	200
Internal Audit	Annual, Sick, & Holiday Leave		Internal Audit Operational Activities	820

MEMORANDUM

TO: SIB Audit Committee

FROM: Jodi Smith, Executive Director

DATE: 05/27/2026

RE: Cybersecurity Incident — April 22, 2026 — Notification and Response Summary

This memorandum informs the SIB Audit Committee of a cybersecurity incident that occurred on April 22, 2026, the timing and manner of RIO's notification of the incident, and the actions taken in response. This memorandum is provided in accordance with the Committee's charter.

Summary of the Incident

On April 22, 2026, a sophisticated social engineering attack targeting multiple K-12 school districts resulted in unauthorized access to the email environment of one RIO team member. NDIT characterized the attack as highly sophisticated and not a routine phishing attempt. The incident did not arise from a team member responding to an unsolicited or suspicious email; rather, the individual was engaged in what appeared to be legitimate correspondence with a known counterpart whose account had been compromised.

The Executive Director became aware of the incident on April 23, 2026, through internal staff communication and subsequently confirmed with NDIT that the incident had been contained on April 22, 2026.

Working with NDIT, OMB Risk Management, and legal counsel, RIO identified eight (8) records containing member information within emails potentially accessed during the incident. Each record was reviewed against the statutory definition of "personal information" under NDCC 51-30-01(4)(a). Based on that review, statutory notification requirements were triggered for four (4) records.

RIO completed the following notification actions:

- **Verbal Outreach:** For members whose exposure presented elevated risk, RIO leadership attempted direct telephone contact between April 28 and April 29, 2026. Outreach efforts were documented, including successful contacts and voicemails left.
- **Written Notification:** Notification letters were drafted by the Chief Retirement Officer, reviewed by the Director of Communications & Outreach, finalized on May 1, 2026, signed by the Chief Retirement Officer, and mailed the same day.

Post-Incident Review and Follow-Up Actions

RIO will incorporate the following items into its formal post-incident review and brings them to the Committee's attention at this time:

- **Notification Gap:** RIO leadership was not formally notified by NDIT at the time of the incident. The Executive Director became aware of the matter informally the following day. RIO has since communicated future notification expectations to NDIT and confirmed the agency's assigned Information Security Officer.
- **Training and Awareness:** Because the attack originated through a compromised trusted account rather than an unsolicited message, traditional phishing indicators were not readily apparent. RIO will evaluate whether additional training regarding authentication verification protocols and credential prompts during legitimate-appearing correspondence is warranted.
- **Cross-Agency Coordination:** RIO will continue discussions regarding the broader K-12 compromises that contributed to this incident, particularly given the routine communications between RIO staff and school district personnel.
- **Incident Response Procedures:** RIO has developed an internal cybersecurity incident response procedure to improve response coordination, clarify responsibilities, and reduce confusion during future cybersecurity events.

Committee Action Requested: Information Only.

MEMORANDUM

TO: SIB Audit Committee
FROM: Jodi Smith, Executive Director
DATE: 06/03/2026
RE: Audit Committee Schedule

In accordance with the newly adopted governance policy, the meeting schedule is to formalize a consistent cadence of committee meetings.

Meeting Frequency

The Audit Committee (under the new Governance Policy System it will be named the Audit, Risk and Compliance Committee) will meet on a quarterly basis.

Meetings will be held in the following months:

- August
- November
- February
- April

Each quarterly meeting will be scheduled during the second week of the designated month. Aligning the meeting timing in this manner ensures predictability for committee members and supports consistency across all committees.

Rationale

Standardizing both the quarterly frequency and the second-week timing of meetings allows the Audit Committee to coordinate effectively with the meeting cycles of other committees, reduce scheduling conflicts, and maintain a uniform governance rhythm across the organization.

Specific dates and times for each meeting will be surveyed and scheduled in the upcoming month.

Committee Action Requested: Information Only.

MEMORANDUM

TO: SIB Audit Committee

FROM: Sara Seiler, Supervisor of Internal Audit

DATE: May 26, 2026

RE: 2026-2027 Audit Committee Membership

The Audit Committee is a standing committee of the State Investment Board (SIB) authorized under SIB Governance Policy F, Standing Committees. Its primary function is to assist the SIB in fulfilling its oversight responsibilities of the Retirement and Investment Office (RIO) internal and external audit programs, including financial and other reporting practices, internal controls, and compliance with laws, regulations, and ethics. Under the new Governance Policy System, three members of the Audit and Risk Committee will include a representative of the three groups on the SIB: Legacy & Budget Stabilization Fund Advisory Board, a TFFR representative, a member-at-large, and two members selected from outside of the SIB and the RIO.

The committee is comprised of five members selected by the SIB. Three members of the Committee will represent the three groups of the SIB (Legacy & Budget Stabilization Fund Advisory Board, a Teachers' Fund for Retirement representative, and a member-at-large). The other two members are to be selected from outside the SIB with strong either strong financial, risk, and/or auditing experience. Membership on the Committee will be for a term of one year or termination of term on the SIB. There is no limit to the number of terms that can be served on the Committee.

Each July, as a new fiscal year gets underway, the SIB is required to review and approve appointments to the SIB Audit Committee. As current members of the SIB Audit Committee your service is greatly appreciated. Please notify the Supervisor of Internal Audit, Sara Seiler, by Friday, June 19, 2026, if you are willing to continue to serve on the SIB Audit Committee through the end of the next fiscal year (July 1, 2026 to June 30, 2027). The Supervisor of Internal Audit can be reached via phone at 1.800.952.2970 or 701.328.9896 or via email at sseiler@nd.gov.

Committee Action Requested: Information Only.



**State Investment Board
North Dakota Retirement and Investment Office**

Audit Committee Meeting

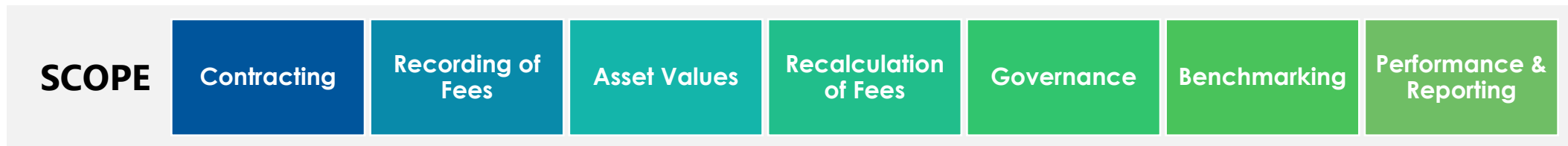
June 3, 2026

Internal Audit Overview

Weaver engaged with the North Dakota Retirement and Investment Office (ND RIO) and performed the following services for Internal Audit.

Internal Audit – Investment Fees

The objective of this Internal Audit was to assess whether ND RIO's processes and controls are effective and appropriate in relation to the accuracy, completeness and timeliness of investment fees, and that expenses charged to the Funds are accurately reported to the Board.



Conclusion

Overall, ND RIO's investment fee processes are largely effective and supported by strong governance practices; targeted opportunities exist to further formalize fee validation, enhance independent recalculations, and strengthen access controls.

Objectives

- Fees align with contracts & were recorded accurately
- Fee data was complete & accurate
- ✓ Fee calculation & reporting are accurate
- ✓ Practices comply with established standards and policies
- ✓ Fees are monitored and benchmarked
- ✓ Performance reflects impact of fees

Top Identified Strengths

1. Independent fee benchmarking used to assess reasonableness, investigate outliers, and support negotiations
2. Documented fee reconciliations to custodial statements with management review and approval
3. Pre-onboarding document review to validate fee structures against contracts and market practices
4. Centralized Master Fee Spreadsheet reconciled to accounting records for completeness
5. Management review of fee calculations for contract alignment and period-over-period consistency

Investment Fees Audit

Findings, Recommendations, & Conclusion



FINDINGS & RECOMMENDATIONS

Finding #1:

Absence of a formally defined and comprehensive internal investment fee validation framework.

Implement a formal, risk-based internal fee assessment process applicable to both public and private investments, including periodic independent recalculations or documented reasonableness reviews performed on a sample basis. Management should retain documentation of reviews and resolution of variances to strengthen oversight, accuracy, and audit support.

Management Response: Management agrees with this recommendation. ND RIO will develop and implement a formal, internal investment fee review process to apply consistently across public and private investment fee types. This process will incorporate periodic independent recalculations or documented reasonableness reviews of investment fees, including those derived from capital calls and LP waterfalls. Reviews may be conducted on a sample basis — spanning selected investment managers, fee types, and/or periods — to ensure thoroughness while remaining proportionate to available staff resources. Management will establish and maintain documentation standards to evidence completed reviews and the resolution of any identified variances, supporting ongoing oversight, fee accuracy, and audit readiness.

Target Completion Date: December 31, 2026

Responsible Party: Adam Otteson, Chief Financial and Operating Officer & Tim Forsythe, Deputy Chief Financial and Operating Officer

Investment Fees Audit

Findings, Recommendations, & Conclusion



FINDINGS & RECOMMENDATIONS

Finding #2:

Fee recalculation not performed, and variance identified.

Implement and document periodic independent reviews or recalculations of fees deducted directly from fund balances, performed on a sample basis as appropriate. ND RIO should also formalize policies and procedures for the investment fee lifecycle, including standardized onboarding documentation and defined processes for fee-related items such as clawbacks and receivables.

Management Response: Management agrees with this finding and recommendation. ND RIO will implement a periodic independent review or recalculation of investment management fees deducted directly from fund balances, including fees such as the PIMCO Performance – Fixed Inc. (DiSCO II) fee. Reviews will be conducted on a sample basis and documentation evidencing completed recalculations and the resolution of any identified variances will be prepared and retained. Management will also formalize and document policies and procedures governing the investment fee lifecycle. This will include:

- Standardized onboarding documentation to ensure contractual fee terms are accurately reviewed and captured at the time a new investment manager relationship is established.
- Defined processes for identifying, reviewing, and recording fee-related items, including clawbacks and receivables.
- Clear roles and responsibilities for fee monitoring, variance resolution, and escalation.

Target Completion Date: December 31, 2026

Responsible Party: Adam Otteson, Chief Financial and Operating Officer & Tim Forsythe, Deputy Chief Financial and Operating Officer

Investment Fees Audit

Findings, Recommendations, & Conclusion



FINDINGS & RECOMMENDATIONS

Finding #3:

Limited access security over fee-related spreadsheets.

Restrict access to fee-related spreadsheets based on business need and implement version control, documented ownership, and periodic access reviews. Management should also evaluate longer-term automation or system interfacing to reduce manual processing and error risk.

Management Response: Management agrees with this finding and recommendation. ND RIO will formally review current access to the Master Fee Spreadsheet and restrict access to individuals with a documented business need, aligned to defined roles. Over the longer term, management will evaluate opportunities to inface the Master Fee Spreadsheet with Northern Trust and the new accounting system its currently procuring.

Target Completion Date: June 30, 2026

Responsible Party: Adam Otteson, Chief Financial and Operating Officer & Tim Forsythe, Deputy Chief Financial and Operating Officer



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North Dakota Retirement & Investment Office (ND RIO)

Internal Audit Report - Investment Fees Audit



Sara Seiler
Internal Audit Supervisor
North Dakota Retirement & Investment Office (ND RIO)
1600 East Century Avenue, Suite 3
Bismarck, ND 58507

The enclosed document presents a summary of procedures, findings and recommendations resulting from a recent internal audit conducted by Weaver and Tidwell, L.L.P. ("Weaver") (the "Audit"). The objective of the audit was to evaluate the adequacy of processes and controls in place for the governance of fees. To accomplish this objective, we obtained an understanding of current business processes through interviews with ND RIO staff, reviewing relevant documentation, and testing business controls and processes. The audit covered the audit period from July 1, 2024 - June 30, 2025.

Three findings were identified in which the control structure for key processes should be improved. These findings have been acknowledged and accepted by ND RIO, who committed to implementing appropriate corrective measures. These have been described in detail in the attached report.

This document is intended solely for the information and use of ND RIO and the State Investment Board (SIB). It is not intended to be, and should not be, used by other parties without the prior written consent of Weaver.

We thank you for the opportunity to partner with ND RIO for the review.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P

Houston, TX
May 26, 2026

North Dakota Retirement & Investment Office (ND RIO)

Investment Fees Audit

Final Report

Background

This document presents a summary of the procedures and findings resulting from a recent internal audit conducted by Weaver and Tidwell, L.L.P. ("Weaver") (the "Audit"). The purpose of the Audit was to assess whether ND RIO's processes and controls are effective and appropriate in relation to the governance, selection, and oversight of investment fees, for the period of July 1, 2024 - June 30, 2025.

Procedures performed by Weaver were conducted in accordance with the Institute of Internal Auditors' Global Internal Audit Standards. Weaver obtained an understanding of the current business processes through interviews with ND RIO staff, reviewing reports, spreadsheets and other records provided by ND RIO, and testing of certain significant internal controls.

Scope and Objectives

The objective of the audit was to evaluate the adequacy of processes and controls in place for investment fees. The scope of the audit involved gaining an understanding of the key steps in the investment fee process, including interviews with key personnel, review of relevant documentation and identification of potential control gaps or opportunities for improvement at each stage of the process. The following process-areas were evaluated:

- Contracting
- Recording of Fees
- Asset Value & Fee Recalculations
- Governance (Incl. Monitoring & Internal Standards)
- Benchmarking
- Performance & Reporting

Please refer to Appendix A for a detailed description of the audit procedures performed and test results.

Conclusion

ND RIO's controls over investment fees are generally designed and operating effectively; however, three specific findings were identified in which the control structure for key processes should be improved. These findings have been acknowledged and accepted by ND RIO, who committed to implementing appropriate corrective measures. A summary of the findings are provided below.

1. Absence of a formally defined and comprehensive internal investment fee validation framework. (Moderate Risk)
2. Fee Recalculation Not Performed and Variance Identified. (Moderate Risk)
3. Limited Access Security to Fee Related Spreadsheets. (Low Risk)

Additional information on the findings, including recommendations and the corresponding management responses are provided in the following pages.

Effective Practices

We observed multiple established processes and effective practices within the investment fee processes. We identified the following controls to be operating effectively:

- Investment Staff perform a documented review of governing documents and assess proposed fee structures for reasonableness against market practices prior to onboarding new managers.
- Management reconciles investment fee journal entries to custodial statements and internal schedules, with documented review and approval sign-off to support accuracy, completeness, and proper general ledger coding.
- The Master Fee Spreadsheet serves as a centralized record of investment fees and is reconciled annually to accounting records to validate completeness and consistency between operational and financial systems.
- Management reviews management fee calculations and supporting documentation for alignment with governing documents and performs reasonableness assessments to validate its consistency with the prior period.
- Management leverages independent benchmarking reports to assess fee reasonableness across public and private investments, investigates outliers, and uses results to support fiduciary oversight and fee negotiations.
- Management reviews private equity side letters to confirm that negotiated fee protections and most-favored-nation provisions are appropriately applied.
- Independent consultant fee studies are reviewed by management and the Investment Committee to support governance, oversight, and informed fee decision-making.

Findings and Recommendations

1. Finding(s):

1. **Absence of a formally defined and comprehensive internal investment fee validation framework (Moderate Risk)**

There is not currently a comprehensive review of investment fees across all asset classes.

- a. ND RIO's independent validation (including fee recalculation and review) of public market investment fees is limited to invoice-based fees, and does not extend to fees that are automatically billed from Northern Trust.
- b. For private-market investments, including fees derived from capital calls and complex LP waterfall arrangements, fees are recorded based on external information without independent recalculation or secondary validation.

As a result, management relies primarily on the accuracy of externally prepared fee calculations, limiting its ability to timely identify errors or variances with contractual fee terms.

Recommendation:

Weaver recommends that ND RIO implement a formal, risk-based internal fee assessment process that applies consistently across all fee-types within public and private investments. This process should include periodic independent recalculation or documented reasonableness reviews of investment fees, including those derived from capital calls and LP waterfalls, which may be performed on a sample basis (e.g., selected investment managers, fee types, and/or periods) to balance resource capacity. Management should retain documentation evidencing these reviews

and the resolution of any identified variances to strengthen oversight, accuracy, and audit support.

Management Response:

Management agrees with this recommendation. ND RIO will develop and implement a formal, internal investment fee review process to apply consistently across public and private investment fee types. This process will incorporate periodic independent recalculations or documented reasonableness reviews of investment fees, including those derived from capital calls and LP waterfalls. Reviews may be conducted on a sample basis — spanning selected investment managers, fee types, and/or periods — to ensure thoroughness while remaining proportionate to available staff resources. Management will establish and maintain documentation standards to evidence completed reviews and the resolution of any identified variances, supporting ongoing oversight, fee accuracy, and audit readiness.

Target Completion Date: December 31, 2026

Responsible Party: Adam Otteson, Chief Financial and Operating Officer & Tim Forsythe, Deputy Chief Financial and Operating Officer

2. Fee Recalculation Not Performed and Variance Identified (Moderate Risk)

ND RIO IA confirmed that certain investment management fees, including the PIMCO Performance – Fixed Inc. (DiSCO II) fee, are automatically deducted directly from fund balances and are not independently recalculated or reviewed. No formal fee recalculation documentation is prepared or retained for these investment managers. Our audit procedures included independent recalculation of a sample of fees resulting in the identification of a variance between a fee charged and recorded.

In addition, policies and procedures governing the investment fee lifecycle are not sufficiently detailed or formally documented. The investment manager onboarding process does not include standardized documentation to ensure contractual fee terms are accurately reviewed and captured, and processes for identifying, reviewing, and recording fee-related items (such as clawbacks or receivables) have not been defined. As a result, undetected inaccuracies in investment management fees increase risk that fees are not charged in accordance with contractual terms and reduce financial reporting accuracy, governance oversight, and the timely identification and remediation of fee errors.

Recommendation:

Weaver recommends that ND RIO implement and document a periodic independent review or recalculation of investment management fees deducted directly from fund balances (which may be performed on a sample-basis). ND RIO should also formalize and maintain policies and procedures governing the investment fee lifecycle, including standardized onboarding documentation to ensure contractual fee terms are accurately captured and defined processes for identifying and recording fee-related items such as clawbacks and receivables.

Management Response:

Management agrees with this finding and recommendation. ND RIO will implement a periodic independent review or recalculation of investment management fees deducted directly from fund balances, including fees such as the PIMCO Performance – Fixed Inc. (DiSCO II) fee. Reviews will be conducted on a sample basis and documentation evidencing completed recalculations and the resolution of any identified variances will be prepared and retained.

Management will also formalize and document policies and procedures governing the investment fee lifecycle. This will include:

- Standardized onboarding documentation to ensure contractual fee terms are accurately reviewed and captured at the time a new investment manager relationship is established.
- Defined processes for identifying, reviewing, and recording fee-related items, including clawbacks and receivables.
- Clear roles and responsibilities for fee monitoring, variance resolution, and escalation.

Target Completion Date: December 31, 2026

Responsible Party: Adam Otteson, Chief Financial and Operating Officer & Tim Forsythe, Deputy Chief Financial and Operating Officer

3. Limited Access Security to Fee-Related Spreadsheets (Low Risk)

The Master Fee Spreadsheet, the centralized and key mechanism supporting investment fee calculation, tracking, and recording activities, is accessible to Investment Staff, Investment Operations personnel, and Accounting staff via the N Shared Drive. Access is not formally restricted based on defined roles or documented business need, which increases the risk of unauthorized access, unintended modifications, or errors in fee calculations and reduces the reliability of fee recording and reporting.

Recommendation:

We recommend that ND RIO formally review and restrict access to spreadsheets and tools used in the calculation and recording of investment fees to individuals with an appropriate business need, and implement version control, periodic access reviews, and documented ownership of fee-related spreadsheets to reduce the risk of unauthorized changes or errors. Over the longer term, management should evaluate interfacing capabilities between the Master-Fee spreadsheet, Great Plains, and Northern Trust to automate the transfer of fee data, which would reduce manual processing, lower the risk of error, and improve efficiency.

Management Response:

Management agrees with this finding and recommendation. ND RIO will formally review current access to the Master Fee Spreadsheet and restrict access to individuals with a documented business need, aligned to defined roles. Over the longer term, management will evaluate opportunities to interface the Master Fee Spreadsheet with Northern Trust and the new accounting system its currently procuring.

Target Completion Date: June 30, 2026

Responsible Party: Adam Otteson, Chief Financial and Operating Officer & Tim Forsythe, Deputy Chief Financial and Operating Officer

Appendix A: Audit Procedures Performed

This engagement included an evaluation of defined scope areas, including various procedures performed and testing results presented below.

Scope Area	Procedures Performed	Test Results
Contracting		
A.1	<ol style="list-style-type: none"> 1. Obtain the list of all new managers onboarded during the audit period (FY25) 2. For a sampled new manager onboarded during the audit period, verify the following: <ol style="list-style-type: none"> a. Fee model options obtained from managers b. Benchmarking analysis performed c. Any external datasets used (e.g., eVestment) d. Final recommended fee structure 	No Exception Identified.
Recording of Fees		
B.2	<p>For a sample of fee journal entries recorded during the audit period, complete the following:</p> <ol style="list-style-type: none"> 1. Obtain Northern Trust allocation and fee statements and supporting internal schedules and agree recorded fee amounts to the supporting documentation. 2. Verify the journal entry was reviewed and approved by Susan Walcker, Senior Financial Accountant, prior to posting within Great Plains. 	No Exception Identified.
Asset Value & Fee Recalculations		
C.1	<ol style="list-style-type: none"> 1. Obtain the Investment Accountants recalculation worksheet/template used to validate investment management & performance fees. 2. Reperform the fee calculation using source data: <ol style="list-style-type: none"> a. Northern Trust asset values b. Fee schedules/mandate terms 3. Obtain documentation of secondary review (email, workflow approval, WebCash approval log). <ol style="list-style-type: none"> a. If discrepancies were noted in the recalculation, verify that ND RIO communicated the discrepancy back to the vendor. 	<p>Exceptions Identified.</p> <p>Refer to Finding 1 & 3</p>
C.2	<ol style="list-style-type: none"> 1. For the sampled capital call notices containing management fees received during the audit period: <ol style="list-style-type: none"> a. Tie the fee inputs from the Master Fee Spreadsheet to Investment agreements or limited partnership agreements b. Verify that the fee amount aligns with fund terms 	No Exception Identified.
C.3	<ol style="list-style-type: none"> 1. Obtain the Master Fee Spreadsheet valid during the audit period and verify the spreadsheet is saved on the N-Shared Drive 2. Trace a sample of entries from the Master Fee Spreadsheet to the Great Plains Excel Spreadsheet to confirm: <ol style="list-style-type: none"> a. Fee amounts match b. Posting dates/ additional details are consistent 	No Exception Identified.

Scope Area	Procedures Performed	Test Results
Benchmarking		
E.1	<ol style="list-style-type: none"> 1. Obtain the most recent CEM Benchmarking Survey and Hamilton Lane fee benchmarking report. 2. Review the benchmarking reports to confirm: <ol style="list-style-type: none"> a. Fees were compared to appropriate peer groups and industry benchmarks. b. Any identified outliers, variances, or exceptions were documented and evaluated. 3. Verify evidence of management’s review and assessment of benchmarking results, including: <ol style="list-style-type: none"> a. Conclusions regarding fee reasonableness. b. Consideration of results in fee negotiations, renewals, or oversight activities. 	No Exception Identified.
E.2	<ol style="list-style-type: none"> 1. Select a sample of new managers onboarded during the audit period, and validate the following: <ol style="list-style-type: none"> a. Obtain the side letter, LPA, and fee schedule 2. Verify that management completed the following: <ol style="list-style-type: none"> a. Reviewed fee-related terms b. Assessed MFN provisions c. Confirmed fee structure aligns with market practices 	No Exception Identified.
E.3	<ol style="list-style-type: none"> 1. Obtain the most recent Hamilton Lane semi-annual Fee Report 2. Verify the report has been distributed to Key Investment Staff 3. During the audit period, if fees appeared higher than expected, show evidence that an investigation occurred and was resolved. 	No Exception Identified.
E.5	<ol style="list-style-type: none"> 1. Obtain and review the most recent consultant’s analysis 2. Assess the fee study and verify the documented follow-up actions and/or adjustments that came from the review 3. Verify the Investment Committee has reviewed the fee study as documented within their meeting minutes 	No Exception Identified.
Performance & Reporting		
F.1	<ol style="list-style-type: none"> 1. Select a sample of Board Fee reports and complete the following: <ol style="list-style-type: none"> a. Confirm fee amounts included in the Board report agree to the Master Fee Spreadsheet & NT Custodian statements b. Validate that management compared report values to source data and identified discrepancies, if applicable 	Exception Identified. Refer to Finding 2 .
F.2	<ol style="list-style-type: none"> 1. Obtain the Annual Board Governance Report and verify the Verus external fee study is documented within the report 2. Obtain Management’s Tie-Out Documentation and confirm that all fee categories reported internally were compared to Verus 	No Exception Identified.

Appendix B: Risk Definitions

High Risk findings have qualitative factors that include, but are not limited to:

- Events that threaten the Company's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of the Company or beyond a single function or department
- Potential material impact to operations or the Company's finances
- Processes that deviate significantly from regulator guidance and/or industry best practice
- Remediation requires significant involvement from senior Company management
- Regulatory violations that have a monetary impact on the Company's consumers
- Regulatory violations that are systemic

Moderate Risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of the Company
- Impact could be felt outside of the Company or across more than one function of the Company
- Noticeable and possibly material impact to the operations or finances of the Company
- Processes that deviate from regulator guidance and/or industry best practice
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior Company management to be updated
- Regulatory violations or exceptions that increase the Company's risk of legal, financial, or reputational risk

Low Risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten the Company's strategic priorities
- Impact is limited to a single function within the Company
- Regulatory exceptions that do not have a monetary impact on consumers
- Regulatory concerns that are unlikely to have a financial impact to the Company or members
- Regulatory processes in place that are not considered industry best practice
- Minimal financial or operational impact to the organization
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk

North Dakota Retirement & Investment Office

Internal Audit Report: Executive Limitations Audit

Final Report – March 12, 2026

January 1, 2024 – December 31, 2025

The Internal Audit Division of the North Dakota Retirement and Investment Office (RIO) completed a review of compliance with the Executive Limitations policies established in the State Investment Board (SIB) Governance Manual for the period January 1, 2024, through December 31, 2025. The purpose of this review was to assess whether the Executive Director operated within the policy boundaries established by the Board and whether appropriate monitoring, reporting, and governance practices were in place to support compliance.

This report presents the results of our review, including observations and conclusions. Internal Audit appreciates the cooperation and assistance provided by executive leadership and agency staff during the course of this review.

Background

This report presents the results of the Internal Audit review of compliance with the Executive Limitations policies contained within the State Investment Board (SIB) Governance Manual for the period January 1, 2024, through December 31, 2025.

The Audit Committee approved a high-level review of the Executive Limitations policies as part of the Internal Audit Plan. The purpose of this review was to assess whether the Executive Director operated within the policy boundaries established by the Board and whether appropriate monitoring, reporting, and governance mechanisms were in place to support compliance.

Executive Limitations policies establish boundaries within which the Executive Director must operate. These policies are designed to ensure protection of organizational assets, compliance with applicable laws and regulations, maintenance of appropriate governance practices, and alignment with board-defined Ends.

Scope and Objectives

The objective of this audit was to determine whether the Executive Director complied with Executive Limitations policies A through K during the audit period.

The scope included evaluation of the following policy areas:

- A. General Executive Constraint
- B. Staff Relations
- C. Relating to Public and Government
- D. Budgeting
- E. Financial Condition
- F. Communication and Counsel to the Board
- G. Asset Protection
- H. Compensation and Benefits
- I. Conflict of Interest
- J. Unrelated Business Interest
- K. Code of Conduct

Audit procedures included:

- Review of SIB meeting materials and minutes
- Review of monitoring reports and executive updates
- Examination of succession planning documentation
- Review of personnel policy acknowledgements
- Testing of salary classifications and ranges
- Review of insurance, bonding, and audit reports
- Review of conflict-of-interest disclosures
- Review of open records tracking documentation
- Review of legislative appropriations and quarterly budget monitoring

Conclusion

Internal Audit concludes that for the period January 1, 2024, through December 31, 2025, the Executive Director operated within the boundaries established by the Executive Limitations policies of the State Investment Board. No material instances of noncompliance were identified.

Notable governance transitions occurred during 2025, including resignations of key executive staff and the appointment of interim and permanent leadership. While a formal succession plan was not in place at the time of the January 2025 executive departures, a comprehensive succession plan was implemented in October 2025.

Executive Limitations K requires the adoption and maintenance of a Code of Conduct for all RIO employees. The current policy was originally implemented in June 1997 and has not been substantively updated since its adoption. Although the RIO Administrative Manual titles the policy as an "Ethics Policy," the policy incorporates the substantive elements typically required of a Code of Conduct, including provisions addressing conflicts of interest, gifts and gratuities, confidentiality, use of organizational resources, and compliance with organizational policies.

Based on Internal Audit's review, the existing Ethics Policy substantively fulfills the intent and requirements of Executive Limitations K. The title of the policy does not diminish its effectiveness, as the content establishes appropriate standards of conduct and behavioral expectations consistent with Board policy. To the extent any provisions of the policy conflict with or are superseded by applicable state ethics laws or rules adopted by the North Dakota Ethics Commission, the governing statutes and administrative rules control. Accordingly, the state ethics requirements apply regardless of the internal language policy.

Internal Audit did not identify fiscal jeopardy, unauthorized expenditures, unlawful compensation practices, inadequate asset protection, or violations of conflict of interest provisions during the audit period.

North Dakota Retirement & Investment Office

Internal Audit Report: User Role Review for the TFFR Pension Administration System Final Report – May 19, 2026 Fiscal Year 2025/26

The Internal Audit Division of the North Dakota Retirement and Investment Office (RIO) completed a review of user roles assigned to staff members within the Neospin pension administration system during fiscal year 2025/26. The purpose of the review was to evaluate whether assigned user roles were appropriate and aligned with staff job responsibilities.

This report presents the results of the review, including observations, conclusions, and recommendations. Internal Audit appreciated the cooperation and assistance provided by Retirement Services, Fiscal Services, and Information Technology staff during the review.

Background

During the development and testing phases of the Neospin project, staff members were granted broad system access roles to support configuration, testing, and validation of business processes. Prior to Neospin going live in February 2025, Internal Audit staff and the Chief Retirement Officer reviewed assigned user roles to determine whether access was appropriate based on staff responsibilities within the production environment. Management's intent was to reduce unnecessary crossover of user roles and ensure access aligned with job responsibilities and segregation of duties expectations.

Following implementation of Neospin and transition to production, staff turnover, employee leave, and revisions to job responsibilities resulted in ongoing adjustments to user access roles. As a result, Internal Audit conducted a review to determine whether assigned access remained appropriate and aligned with staff responsibilities.

Scope

The review covered the period beginning February 2025 through January 2026. The review included Neospin user role assignments for applicable RIO staff members and Sagitec users.

Audit Objective

The objective of this review was to determine whether user roles assigned to RIO staff members within Neospin were appropriate and consistent with job responsibilities.

The review included a review of the following:

- A list provided by Information Technology staff of Neospin user role assignments and access permissions assigned to RIO staff.
- Updated 2025/26 job descriptions questionnaires (JDQ) for applicable RIO staff members.

Observations, Conclusions, and Recommendations

During the review period, there was an increased risk of errors due to staff shortages related to employee leave and procedural changes associated with Neospin becoming operational.

RIO Management completed an agency-wide review of staff member's JDQs to ensure responsibilities were accurately reflected. Internal Audit reviewed the updated JDQs for staff members within the fiscal and retirement divisions who utilize Neospin.

NDIT staff provided Internal Audit with a list of twenty-six individuals assigned Neospin roles. The list included twenty-two RIO staff members from internal audit, communications, executive management, fiscal, information technology, and retirement services, as well as two external auditors.

Conclusion

After comparing assigned Neospin user roles to staff job responsibilities and updated JDQs, Internal Audit determined that the majority of user role assignments reviewed were appropriate and aligned with current job responsibilities.

Internal Audit identified sixteen users whose assigned access roles required adjustment to better align with job responsibilities and segregation of duties expectations. The identified users included Sagitec team members, retirement services staff, administrative staff, fiscal staff, internal audit staff, and one external auditor.

Findings and Recommendations:

1. Internal Audit recommends that RIO develop a formal written procedure governing the assignment, modification, and removal of Neospin user roles, including guidance for NDIT staff responsible for administering access. (moderate risk)

Management Response:

Target Completion Date:

Responsible Party:

2. Internal Audit recommends that management adjust user roles for identified staff members and Sagitec users to better align access permissions with job responsibilities and segregation of duties expectations. (moderate risk)

Management Response:

Target Completion Date:

Responsible Party:

Please provide a written response to the recommendations within thirty days of the report date, including any corrective actions planned or implemented.

Appendix A – Summary of Procedures Performed

Focus Area	Testing Coverage	Results
Roles & Access	All divisions with Neospin system access	Adjustments to multiple accounts

Appendix B – Risk Rating Definitions

High Risk: Significant control deficiencies that may impact financial integrity or regulatory compliance.

Moderate Risk: Issues that may affect operational effectiveness or documentation integrity.

Low Risk: Minor issues with minimal impact on controls or operations.

MEMORANDUM

TO: SIB Audit Committee
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: June 3, 2026
RE: 2025-2026 Third Quarter Audit Activities

Audit Activities

- **Investment Fee Audit (co-sourced with Weaver)**

The scope of this audit evaluated the design and operating effectiveness of controls related to investment management fees and investment performance fees. The review assessed the adequacy of oversight and governance practices supporting fee arrangements, including the processes for benchmarking, monitoring, and validating fee calculations. The audit examined the accuracy of management and performance fee assessments, the sufficiency of supporting documentation, and the understanding and application of key contract terms. Additionally, the review evaluated approval workflows, payment processes, and controls related to ongoing monitoring of fee provisions, including the identification, tracking, and exercise of applicable clawback mechanisms. This audit has been completed, and the report will be presented at the June 2026 SIB Audit Committee meeting.

- **Executive Limitations Audit**

On an annual basis, Internal Audit reviews the Executive Director's compliance with the State Investment Board (SIB) Governance Manual Executive Limitation Policies. The Executive Limitations Audit for the period January 1, 2024 through December 31, 2025 has been completed. This audit has been completed, and the report will be presented at the June 2026 SIB Audit Committee meeting.

- **Executive Review and Compensation Committee**

On an annual basis as outlined in the ERCC charter, performance surveys of the Executive Director and the Chief Retirement Officer are administered. These surveys are used as part of the annual performance evaluation. The Supervisor of Internal Audit administered the surveys and compiled the results on behalf of the ERCC.

- **SIB Governance Assessment**

The State Investment Board (SIB) engaged Funston to conduct a comprehensive governance manual rewrite. As part of this initiative, Internal Audit has reviewed draft governance manual revisions and provided feedback on governance, risk management, internal control, committee responsibilities, and professional standards considerations. At the March 2026 Audit Committee meeting, the Committee reviewed a draft Audit Committee Charter under the proposed governance structure. The draft charter provides for the transition of the Audit Committee to the Audit, Risk, and Compliance Committee (ARCC), expanding the Committee's responsibilities from traditional audit oversight to an integrated enterprise oversight model encompassing audit, risk management, and compliance. Internal Audit will continue to provide advisory support by reviewing draft revisions and providing feedback throughout the governance manual rewrite process while maintaining its independence and objectivity.

- **RIO Risk Assessment**

During the third quarter, Internal Audit initiated the annual risk assessment process in preparation for developing the Fiscal Year 2027 Audit Plan. Planning activities included updating risk assessment methodologies, reviewing prior-year risk information. The risk assessment process will include discussions with management to identify and evaluate significant risks, emerging issues, strategic initiatives, and changes in the organization's operating environment. Factors such as operational changes, regulatory developments, staffing, technology, and internal control considerations will be evaluated to assess potential impacts on organizational objectives. The results of the risk assessment will be used to prioritize audit coverage and align audit resources with areas of greatest risk and significance.

- **TFFR File Maintenance Review**

Internal Audit completed a review of CPAS file maintenance activity to ensure transactions entered by RIO staff were appropriate, aligned with assigned security roles, and accurately reflected in member records. The audit included testing of system-generated audit tables and transaction logs; verification of staff access permissions; and a review of member updates such as deaths, purchases, refunds, retirements, and changes to address, name, bank information, and Member Action Forms. IA also compared sample member records between CPAS and the new PAS to confirm the accuracy of data migration. The review focused on validating the accuracy and completeness of transactions, confirming adherence to procedures, and ensuring documentation was properly maintained. The report was presented at the November 2025 Audit Committee meeting. Internal Audit received a response from the Chief Retirement Officer on February 18, 2026. This audit has been completed, and the report was presented at the March 2026 SIB Audit Committee meeting.

- **TFFR User Role Review for the Pension Administration System**

The Internal Audit Division of the North Dakota Retirement and Investment Office (RIO) completed a review of user roles assigned to staff members within the Neospin pension administration system for fiscal year 2025/26. The purpose of the review was to evaluate whether assigned user roles

were appropriate and aligned with staff job responsibilities. This audit has been completed, and the report will be presented at the June 2026 SIB Audit Committee meeting.

- **TFFR Manual Updates**

The TFFR Member Handbook and TFFR Employer Guide were updated to reflect the changes due to the new pension administration system. Internal Audit has reviewed the manual revisions multiple times. The Member Handbook manual and the Employer Guide were completed and placed on the RIO website.

Administrative Activities

Internal Audit staff remained actively engaged across the organization by attending key standing and governance meetings throughout the period. Participation included monthly RIO staff meetings, monthly manager meetings, division meetings, fiscal/organization meetings, and retirement services meetings. Internal Audit attends TFFR, SIB, and committee meetings as needed.

Internal Auditor Recruitment

During the 2025 Legislative Session, RIO's budget was approved, including authorization for a third FTE within the Internal Audit Division. The Internal Audit Supervisor developed the JDQ and corresponding interview questions to support the recruitment process. The position was posted October and again in January 2026.

Following the recruitment process, a candidate was selected and began employment with RIO on March 23, 2026. Since onboarding, Internal Audit has focused on integrating the new team member into the organization through orientation activities, training on agency operations and audit methodologies, and knowledge transfer related to existing audit processes, systems, and responsibilities. These efforts are intended to support the employees' successful transition and build capacity within the Internal Audit Division.

Professional Development/CE/General Education

Internal Audit staff completed several professional development and training activities during the period. Both staff members completed NDIT's Cyber Awareness Training to maintain required security readiness. Additionally, the Internal Auditor completed IIA training on Efficiencies and Innovation in Small Audit Shops.

Committee Action Requested: Committee acceptance.

To: Sara Seiler, Internal Audit Supervisor
From: Chase Kauffeld, Chief Retirement Officer
Date: May 27, 2026
Re: Status Update – Model 2 Partial Review Report dated April 22, 2024

This memo provides a status update on the corrective actions and process improvements committed to in the Retirement Services Division's management response to the Model 2 Partial Review Report dated April 22, 2024. The original December 31, 2024, completion date was extended to June 30, 2026, by the updated response dated February 23, 2026.

Audit Status Update:

The original audit was directed at preventing Model 2 Partial reporting issues from recurring, by ensuring clean data conversion to the new pension administration system and by implementing system-level validations. That strategic intent is substantially complete.

The Neospin conversion completed in February 2025 with all 204 employer payment plan selections in scope, consistent with Recommendation #3. Both Neospin validations described in the original response are live in production: employers must select and affirm their Employer Payment Plan in Neospin each year, and Neospin validates each reported employee against the Department of Public Instruction licensure database on every monthly contribution report and prevents the report from completing if a reported employee does not have a valid license. These controls address the underlying causes the audit was designed to surface.

What remains is historical cleanup of pre-Neospin reporting at the twelve employers Internal Audit identified for action. Of those twelve, four are complete: Edmore, Nelson County, North Valley Area Career and Tech, and Fort Yates. Fort Yates is substantially complete, with corrective actions finished for all members except two retirees and one member in legal review with Retirement Services counsel.

The remaining eight employers fall into three categories:

Salary reporting reviews (5 employers): McClusky, Powers Lake, Roosevelt, Sawyer, and Warwick. For each of these employers, Internal Audit identified that model compliance was met but salary reporting issues were present, including salary reported in the wrong fiscal year or ineligible salary reported. Census Data

Files have been received from Roosevelt and Sawyer and review is in progress; Census Data Files have been requested from McClusky, Powers Lake, and Warwick and review will follow receipt. For Sawyer, FY2020-21 model and salary compliance were met. The employer also provided FY2021-22 data, which Internal Audit reviewed and identified that the salary calculation for that year did not meet model compliance. The Retirement Services Division is reviewing the FY2021-22 Census Data File, and no salary issues have been identified to date.

Negotiated Agreement document alignment (1 employer): Midkota. Model 2 Partial reporting compliance was met. Internal Audit noted that the model identified in the Negotiated Agreement differs from the Employer Payment Plan, and the Retirement Services Division will research and resolve the document alignment.

Outstanding Model 2 Partial compliance (2 employers): Apple Creek and Hillsboro. For Apple Creek, Internal Audit identified that the reported contributions do not reconcile to a Model 2 Partial percentage; the Retirement Services Division has not yet made contact with the employer and will conduct a more involved review. For Hillsboro, the elected Employer Payment Plan on file with TFFR does not match how contributions are actually being reported; resolution requires research of the current Employer Payment Plan against the employer's reporting and follow-up with the employer.

Target completion and ongoing monitoring

Given the dependencies on employer responsiveness for the Census Data File reviews and the substantive nature of the Negotiated Agreement work, the Retirement Services Division is aiming to complete the work on the eight remaining employers by September 30, 2026. Some matters may continue to depend on employer responsiveness beyond that date. Retirement Services will continue to monitor the open items and will provide periodic status updates to Internal Audit through completion. Please contact me with any questions regarding this update or the work performed.

Respectfully,



Chase Kauffeld
Chief Retirement Officer

To: Sara Seiler, Internal Audit Supervisor
From: Chase Kauffeld, Chief Retirement Officer
Date: April 30, 2026
Re: Targeted Death-Review Summary – TFFR File Maintenance Review Final Report, November 2025

This memo provides Internal Audit with the brief written summary of the targeted death-review results committed to in management's response to the TFFR File Maintenance Review Final Report, dated November 2025. The summary addresses Recommendation #1.

Review performed

Retirement Services completed the targeted quality review of death-processing documentation for 25 deaths from FY 2023/24. For each member reviewed, Retirement Services verified that the death certificate or corresponding necessary documents were present, they were scanned to the correct member's FileNet account, and the documentation was consistent with the member's benefit option and payment status.

Results

No exceptions were identified. For all 25 deaths reviewed, the required death-processing documentation was present, filed to the correct member account, and consistent with the member's benefit option and payment status. No missing or misfiled documentation was found, and no corrective action was required.

Because the review identified no exceptions, the expansion criteria described in management's response were not triggered, and expanded testing of additional FY 2023/24 deaths was not necessary.

Conclusion

The targeted review provides assurance that death-processing documentation for the FY 2023/24 deaths reviewed is complete and accurately filed. TFFR considers Recommendation #1 complete.

Please contact me with any questions regarding this summary or the review performed.

Respectfully,



Chase Kauffeld
Chief Retirement Officer

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Audit Recommendation Tracking Log

Internal Audit Division | As of: May 22, 2026

Audit / Engagement	Report Date	Risk Rating	Recommendation	Responsible Party	Target Completion Date	Date Closed
TFFR File Maintenance Review	2025-11-01	Moderate	Conduct a targeted review of 25 deaths from FY 2023-24 to verify death certificates are on file and appropriately scanned to the correct member FileNet account. Expand testing if exceptions exceed isolated instances.	Chase Kauffeld Chief Retirement Officer	04/30/2026	
TFFR File Maintenance Review	2025-11-01	Moderate	Ensure Retirement Services develops concise written procedures supplementing NeoSpin process flowcharts for key activities (e.g., retirements, purchases, refunds, deaths, and member data updates).	Chase Kauffeld Chief Retirement Officer	05/31/2026	
Model 2 Partial Review	2024-04-22	Moderate	Implement corrective actions and process improvements identified in the Model 2 Partial Review Report. (See original April 22, 2024 report for full recommendation detail.)	Chase Kauffeld Chief Retirement Officer	06/30/2026	

External Investment Oversight (Weaver)	2025-11-13	Moderate	Investment Policy Statements (IPS) for all clients under ND RIO management should be reviewed annually. Obtain executed copies of four missing IPS and update IPS not reviewed/approved within the last year.	Scott Anderson Chief Investment Officer	01/30/2026	
External Investment Oversight (Weaver)	2025-11-13	Moderate	Establish a formal process and annual schedule for periodic review and approval of key governance documents, including Investment Policies in the SIB Program Manual and key committee charters. Define ownership, frequency, approval authority, and documentation standards.	Scott Anderson Chief Investment Officer	06/30/2026	
External Investment Oversight (Weaver)	2025-11-13	Moderate	Develop and implement detailed written desk-top procedures for the investments team's critical activities, including the external manager selection, monitoring, and termination lifecycle, to ensure consistency, transparency, and alignment with investment program objectives.	Eric Chin Deputy Chief Investment Officer	03/31/2026	

External Investment Oversight (Weaver)	2025-11-13	Moderate	Implement a standardized manager selection due diligence and onboarding checklist documenting all key activities (DDQ, performance review, legal review of IMA/LPA/side letters, IC approval, account setup). Checklist should be workflow-specific to public vs. private markets with clear ownership and centralized documentation retention.	Eric Chin Deputy Chief Investment Officer	03/31/2026	
External Investment Oversight (Weaver)	2025-11-13	Moderate	Implement an annual manager scorecard process synthesizing performance, risk, and compliance data for IC presentation. Define and document formal triggers for enhanced review (e.g., sustained underperformance, compliance breach, loss of key personnel) with escalation and remediation plans.	Eric Chin Deputy Chief Investment Officer	06/30/2026	
External Investment Oversight (Weaver)	2025-11-13	Moderate	Update the SIB Program Manual to specifically reflect what is required of the SIB for new manager selection, removing the requirement for the Board to conduct manager interviews to align with the delegation of that responsibility to the ND RIO Investment team.	Eric Chin Deputy Chief Investment Officer	06/30/2026	