STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE JUNE 3, 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
Temi Osinaike, Internal Auditor
Sara Seiler, Supervisor of Internal Audit
Jodi Smith, Executive Director
Dottie Thorsen, Internal Auditor

GUESTS
Bruce Mills, Weaver

CALL TO ORDER

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:32 p.m. on Wednesday, June 3, 2026. The meeting was held in The RIO Conference Room, 1600 E Century Ave., Bismarck, ND.

AGENDA

The agenda was considered for the June 3, 2026, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE JUNE 3, 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 March 2, 2026, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. CORBIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE MARCH 2, 2026, MINUTES AS DISTRIBUTED.

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

GOVERNANCE

Fiscal Year (FY) 2026 Financial Audit Scope & Approach

Mr. Rey, UHY, presented the scope and approach for the Fiscal Year 2026 financial audit, which includes the financial statements for RIO and TFFR, GASB 68 schedules, internal controls, and compliance testing. The audit follows a risk-based approach, with preliminary work already underway and final reports expected in October.

Discussion focused on how the audit addresses evolving risks. Committee members asked how the audit would evaluate compliance with state laws, investment policies, and the agency's expanding internal investment program. UHY confirmed that, while the engagement is a financial statement audit, testing also includes compliance with applicable Century Code requirements, internal controls, and investment policies, with the growing internal investment program identified as an area of increased audit focus.

The committee also discussed cybersecurity risks, including the increasing threats posed by AI-enabled attacks and the importance of strong IT controls. UHY noted that although the engagement is not a cybersecurity audit, IT specialists will review general IT controls, including access controls, change management, business continuity, and system integration, while emphasizing that cybersecurity remains one of the most significant operational risks facing public pension systems.

Staff highlighted the close coordination between internal and external audit functions. Internal audit work and supporting documentation are shared with UHY where appropriate, reducing duplicate testing and allowing external auditors to devote more attention to higher-risk areas. Staff also noted that audit is significantly ahead of last year's schedule, with preliminary work well underway and the agency in a strong position heading into year-end fieldwork.

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE FY26 FINANCIAL AUDIT SCOPE & APPROACH.

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

Internal Audit Strategic Plan

Ms. Seiler reported that the Internal Audit strategic plan has not yet been finalized because it must align with the agency's overall strategic plan and priorities established by the State Investment Board. Completion of the audit plan is expected following adoption of the agency's strategic plan and the new Governance Policy System.

The committee discussed that the transition to the new Audit, Risk & Compliance Committee and the implementation of the Governance Policy System will expand the committee's responsibilities and influence future audit priorities. Staff noted that the strategic plan will continue to evolve as the agency works through the upcoming legislative session, staffing needs, technology initiatives, and governance changes to ensure internal audit resources remain aligned with organizational priorities and emerging risks.

Ms. Seiler introduced Temi Osinaike, the new Internal Auditor who started at RIO in March.

2026-27 Internal Audit Workplan

Ms. Seiler presented the proposed Fiscal Year 2027 Internal Audit Plan, which is based on annual risk assessments covering retirement operations, investments, fiscal processes, and information technology.

The plan follows a risk-based methodology and is designed to remain flexible, with significant changes brought back to the Audit Committee for approval if priorities shift during the year.

The committee discussed staffing capacity, including the planned retirement of Ms. Thorsen at the end of the year and the importance of capturing institutional knowledge during the transition. Staff noted that the addition of a third auditor strengthens the team's capacity, although onboarding a replacement and the retirement transition may temporarily reduce available audit hours.

The proposed audit plan includes reviews of the internal investment program, data governance, user access controls, procurement, cash management, NeoSpin retirement processing, employer compliance, and enterprise risk management activities. Several larger audits will continue to be co-sourced with Weaver to provide specialized expertise and support as the internal audit function continues implementing new Internal Audit Standards and preparing for a future quality assessment.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. CORBIN TO APPROVE THE 2026-27 INTERNAL AUDIT WORKPLAN.

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

Cybersecurity Incident

Mr. Kauffman reported a cybersecurity incident involving a sophisticated social engineering attack that resulted in unauthorized access to a RIO employee's email account. A review determined that four individuals were required to be notified under state law after emails containing personally identifiable information were potentially accessed.

Following the incident, the agency strengthened its incident response procedures, enhanced staff cybersecurity training, improved coordination with NDIT, and implemented additional safeguards for handling sensitive information in email. Committee members discussed the increasing sophistication of cyber threats, the importance of protecting member information, and the need for continued vigilance given the agency's role in managing retirement system data.

2026-27 Audit Committee Schedule

Ms. Seiler reviewed the proposed schedule for the Committee for Fiscal Year (FY) 2027.

2026-27 Audit Committee Membership

Ms. Seiler asked the Committee members to let her know if they would like to serve another one-year term on the Committee. The SIB Chair appoints all committee members at the July SIB meeting.

REPORTS

Internal Audit Reports

Mr. Mills of Weaver presented the results of the investment fee audit, concluding that RIO's investment fee oversight processes are generally effective, with strong governance practices already in place, including fee benchmarking, contract onboarding procedures, and management review. The audit identified opportunities to strengthen controls by formalizing fee validation procedures for both public and private market investments, standardizing documentation, and restricting access to the master fee tracking spreadsheet. Management agreed with all recommendations and has begun implementing corrective actions.

Committee discussion emphasized the importance of ongoing fee oversight, including verifying manager fee calculations, ensuring negotiated fee discounts are applied across all eligible state investments, and using periodic benchmarking to strengthen contract negotiations with investment managers. Members also requested that investment-related audit findings and resulting policy changes be shared with the Investment Committee to ensure appropriate oversight and implementation.

Ms. Seiler presented the Executive Limitations Audit, noting that it is expected to be the final audit of its kind as the agency transitions to the new Governance Policy System. The audit reviewed compliance with executive limitations related to budgeting, financial management, board communications, compensation, staff relationships, succession planning, conflicts of interest, and ethics.

The audit found no compliance issues. While the Human Resources Manual does not contain a standalone "Code of Conduct" policy, auditors confirmed that all required elements including ethics, conflicts of interest, confidentiality, gifts and gratuities, and political activities are addressed throughout existing agency policies.

Finally, Ms. Seiler presented the NeoSpin User Role Review, which evaluated user access following system implementation, staffing changes, and temporary role assignments. The review confirmed that user access was generally appropriate but identified opportunities to strengthen controls by formalizing procedures for granting, modifying, and removing system access, and by updating user roles to align with current job responsibilities.

The committee discussed the importance of maintaining proper segregation of duties, particularly when temporary access is needed during staff absences or vacancies. Staff noted that NeoSpin supports time-limited access assignments and that a formal approval process requiring authorization from the Chief Retirement Officer or Executive Director will help ensure access is appropriately granted and automatically removed when no longer needed. Management agreed with the audit recommendations and will implement the necessary policy and role updates.

2025-26 Third Quarter Activities

Ms. Seiler provided the Audit Activities report for the quarter ending March 31, 2026. Activities included the investment fee audit, executive limitations audit, NeoSpin user role review, and annual risk assessment. Additional activities included administering Executive Review and Compensation Committee performance surveys, supporting the State Investment Board governance manual rewrite, completing TFFR manual updates, recruiting a new internal auditor, and continuing staff professional development.

The committee also received the new audit recommendation tracking matrix, which will be included in future reports to monitor the status of outstanding audit recommendations. Members supported the enhanced tracking process, noting it provides greater accountability by documenting management's progress on corrective actions and ensuring recommendations remain visible until fully resolved.

Mr. Van Orman left the meeting at 3:58 p.m.

IT WAS MOVED BY MS. CORBIN AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INVESTMENT FEE AUDIT, EXECUTIVE LIMITATIONS AUDIT, TFFR USER ROLL REVIEW, AND 2025-26 THIRD QUARTER ACTIVITIES REPORTS.

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

OTHER

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 4:04 p.m.

Prepared by:

Missy Kopp, Assistant to the Board