

**ND STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING**

Thursday May 24, 2018 – 3:00 PM
Retirement and Investment Office
3442 E Century Ave, Bismarck, ND 58507

AGENDA

1. Call to Order and Approval of Agenda – Chair (committee action) (5 minutes)
2. Approval of February 22, 2018 Minutes – Chair (committee action) (5 minutes)
3. Presentation of July 1, 2017 to June 30, 2018 Fiscal Year Financial Audit Scope and Approach and Final GASB 68 Schedule Audit Report – CliftonLarsonAllen (to follow)(committee action)(30 minutes)
4. 2017 – 2018 Third Quarter Audit Activities Report – Sara Sauter (committee action)(10 minutes)
5. What is Internal Audit? – Sara Sauter (education)(30 minutes)
6. 2018-2019 Audit Services Workplan, Budgeted Hours, and Employer Risk Assessment– Sara Sauter (committee action)(45 minutes)
7. TFFR Employer Audit Reporting Process – Fay Kopp & Sara Sauter (information)(5 minutes)
8. 2018-2019 SIB Audit Committee Meeting Schedule – Sara Sauter (committee action)(5 minutes)
9. 2018-2019 SIB Audit Committee Membership – Sara Sauter (information)(5 minutes)
10. Other – Next SIB Audit Committee Meeting

****PENDING APPROVAL****

Retirement and Investment Office
Thursday September 27, 2018 - 10:00 AM
RIO Conference Room
3442 E Century Ave
Bismarck, ND

11. Adjournment

Any individual requiring an auxiliary aid or service should contact the Retirement and Investment Office at (701) 328-9885 at least (3) days prior to the scheduled meeting.

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
FEBRUARY 22, 2018 MEETING**

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Yvonne Smith, PERS Board, Vice Chair
Mike Gessner, TFFR Board (TLCF)
Cindy Ternes, Workforce Safety & Insurance
Josh Wiens, External Representative

STAFF PRESENT: Bonnie Heit, Assist to the Audit Committee
David Hunter, ED/CIO
Fay Kopp, Dep ED/CRO
Sara Sauter, Audit Svs Suprv
Dottie Thorsen, Internal Auditor

GUEST: Patrick Brooke, Attorney General's Office
Sandy DePountis, Attorney General's Office

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m. on Thursday, February 22, 2018, at the Retirement and Investment Office (RIO), 3442 E Century Ave., Bismarck, ND.

A quorum was present for conducting business.

AGENDA:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE FEBRUARY 22, 2018, MEETING AS DISTRIBUTED.

AYES: MS. SMITH, MS. TERNES, MR. WIENS, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

ABSENT: MR. GESSNER

MINUTES:

IT WAS MOVED BY MR. WIENS AND SECONDED BY MS. TERNES AND CARRIED BY A VOICE VOTE TO ACCEPT THE NOVEMBER 16, 2017, MINUTES.

AYES: MS. SMITH, MS. TERNES, MR. WIENS, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

ABSENT: MR. GESSNER

AUDIT SUPERVISOR:

Mr. Hunter introduced Ms. Sara Sauter. Ms. Sauter joined RIO January 1, 2018, as Supervisor of Audit Services.

EDUCATION:

Ms. Sandy DePountis and Mr. Patrick Brooke presented an educational segment on North Dakota Open Meetings and Records laws.

CHARTER:

The Committee discussed revisions needed to their Charter as a result of the Open Meetings educational segment.

Mr. Brooke and Ms. Sauter will revise the Charter accordingly and present it at the next Audit Committee meeting for review and possible acceptance and then it will be brought before the SIB for their approval.

AUDIT ACTIVITIES REPORT:

Ms. Sauter reviewed first quarter activities of the Audit Division for the period of October 1, 2017 - December 31, 2017.

TFFR Employer Audits - Eight had been completed, one was in progress, and six were pending but not yet started.

The 2016-17 Benefit Payments Audit was completed and a report was issued on October 30, 2017.

The TFFR File Maintenance Audit for the fourth quarter of 2016-17 was completed at the end of the first quarter with a final report issued October 2, 2017.

The Executive Limitations Audit was completed for the 2017 calendar year. This year RIO employees participated in the State survey administered in December 2017. The results were issued to the SIB at their January 26, 2018 meeting.

Audit Services continues to participate in the IIA Central NoDak Chapter for professional development.

IT WAS MOVED BY MR. WIENS AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE SECOND QUARTER ACTIVITIES REPORT FOR THE PERIOD OF OCTOBER 1, 2017 - DECEMBER 30, 2017.

AYES: MS. TERNES, MR. WIENS, MS. SMITH, MR. GESSNER, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

EXECUTIVE LIMITATIONS AUDIT:

Audit Services completed the annual review of the Executive Director's/CIO's level of compliance with SIB Governance Manual Executive Limitations Policies A-1 through A-11 for the calendar year beginning January 1, 2017 and ending December 31, 2017. Audit Services is sufficiently satisfied that the Executive Director/CIO was in compliance.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. WIENS AND CARRIED BY A VOICE VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS AUDIT FOR CALENDAR YEAR 2017.

AYES: MR. GESSNER, MR. WIENS, MS. SMITH, MS. TERNES, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

GASB 68 SCHEDULE AUDIT:

CliftonLarsonAllen (CLA) concluded their audit of the GASB 68 schedules and a final report was issued in December 2017 and presented to the Audit Committee. CLA will be in attendance at the SIB Audit Committee's May 24, 2018 meeting to present the results of the audit as well as the audit scope and approach for the upcoming financial audit of RIO for fiscal year July 1, 2017 - June 30, 2018.

OTHER:

Mr. Gessner informed the Board that he will be retiring at the end of the 2017-18 school year. Mr. Gessner's 47-year teaching career was with the Minot Public School District as a Math instructor. Mr. Gessner has been representing the Teachers' Fund for Retirement on the Audit Committee since August 18, 2006. The Audit Committee extended their appreciation to Mr. Gessner for his service and support.

The next Audit Committee meeting is scheduled for Thursday, May 24, 2018, at 3:00 pm at the Retirement and Investment Office, 3442 East Century Ave., Bismarck, ND.

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

Respectfully Submitted:

Ms. Rebecca Dorwart, Chair
SIB Audit Committee

Bonnie Heit
Assistant to the Audit Committee



May 24, 2018

Presentation to:

**North Dakota Retirement and Investment Office –
2018 Audit Kick-off**



CliftonLarsonAllen

www.cliftonlarsonallen.com

Engagement Scope

- Audit of the RIO's financial statements as of June 30, 2018
- Audit of TFFR's GASB 68 schedules as of June 30, 2018
- 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

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.

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’**

Timing of Work

KEY MILESTONES	DATE
Planning	May 2018
Understanding and Testing of Internal Controls	May 2018
Census Data Testing	July - September 2018
Substantive Procedures	August - September 2018
Final Audit Reports	October - November 2018

2017 Audit Results – Schedules of Employer Allocations and Pension Amounts by Employer

- Independent Auditors’ Report - Unmodified “clean” opinion that the schedule of employer allocations and the net pension liability, total deferred outflows, total deferred inflows and total pension expense are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - No material weaknesses were identified.
 - No significant deficiencies were identified.



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Engagement Principal
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**RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
2017-2018 Third Quarter Audit Activities Report
January 1, 2018 – March 31, 2018**

The audit objective of Audit Services is twofold: first, to provide comprehensive, practical audit coverage of the Retirement and Investment Office (RIO) programs; second, to assist RIO management and the State Investment Board (SIB) by conducting special reviews or audits.

Audit coverage is based on the July 1, 2017 through June 30, 2018 work plan approved by the SIB Audit Committee. The audit activities undertaken are consistent with the Audit Services charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO and the concerns of management and the SIB Audit Committee.

Retirement Program Audit Activities

• **TFFR Employer Audit Program**

We examine employer reporting to the Teachers' Fund for Retirement (TFFR) to determine whether retirement salaries and contributions reported for members of TFFR are in compliance with the definition of salary as it appears in NDCC 15-39.1-04(10). Other reporting procedures reviewed during the audit process are calculation of service hours and eligibility for TFFR membership. A written report is issued after each audit examination is completed. The TFFR Employer Audit Program includes Compliance Audits, Not in Compliance (NIC) Reviews, and Special Audits requested by Retirement Services.

Status of TFFR Employer Audits as of March 31, 2018:

- Nine (9) employer audits had been completed.
- Three (3) employer audits were in progress.
- Five (5) employer audits were pending but not yet started.
- Three (3) employer audit notifications were sent

The three employer audits in progress include Alexander and Grenora which are both small schools part of the normal cycle and Parshall which is a special audit. Parshall will be a 100% audit of one year since it is a special audit.

This is an area that requires special emphasis due to the level of risk identified through previous audit results. Our long-range plans include auditing each employer over an eight year period.

• **TFFR File Maintenance Audit**

A review of changes made to TFFR member account data by Retirement and Investment Office employees is reviewed on a quarterly basis. The TFFR File Maintenance Audit for the first quarter of July 1, 2017 through September 30, 2017. The field work was completed and the report was issued in April 2018.

• **Regional Education Association (REA)**

Audit Services and Retirement Services developed a joint questionnaire that was sent to the eight REA's in North Dakota. The REA responses to the ten questions gave TFFR and Audit Services a better understanding to how the REA's are reporting to TFFR. Audit Services and Retirement are still following up on information received. Going forward, a plan will be developed to address any issues.

Investment Audit Activities

• Executive Limitation Audit

On an annual basis, Audit Services reviews the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation Policies A- 1 through A-11. The Executive Limitation Audit for calendar year 2017 was completed in February 2018. Audit Services was sufficiently satisfied that the Executive Director/CIO was in compliance with the SIB Governance Manual Executive Limitation policies A-1 through A-11 during calendar year 2017. The SIB Audit Committee approved the Executive Limitation Audit on February 22, 2018 and the SIB approved the Executive Limitation Audit on February 23, 2018.

In February 2018, the SIB approved the formation of the Executive Review Committee for the purpose of evaluating the Executive Director/CIO of the North Dakota Retirement and Investment Office, Mr. David Hunter. The assistance of Audit Services was required to facilitate a survey to the current SIB members and a survey to RIO staff. The survey to RIO staff was completed in March 2018 and the SIB survey was administered in April 2018. Audit Services compiled the results and reported to the Executive Review Committee.

Administrative Activities

• Supervisor Training

The new Supervisor of Audit Services, Sara Sauter, started January 1, 2018. Time was spent getting up-to-date with the agency and what all audit services does. Time was spent reading manuals, regulation, attending Business Manager Training, and getting to know the staff.

• Professional Development/CE/General Education

Audit Services continued its participation with the Institute of Internal Auditors (IIA) Central NoDak Chapter by attending February and March monthly IIA meetings. The February meeting was a working group on operational auditing and enterprise risk management. The March meeting was a presentation about Bismarck/Mandan area development.

• Meetings

Audit Services attended various meetings during the third quarter. The Supervisor of Audit Services attended monthly agency supervisor and staff meetings; also attended two TFFR meetings, three SIB meetings, and one SIB Securities Litigation meeting. There was biweekly meetings held with the Deputy Director/CRO and multiple meetings held with Executive Director on various topics. The Internal Auditor attended one TFFR meeting and monthly staff meetings. Audit Services also meet with the internal audit department at NDPERS.

Summary

Audit effort is directed to activities that are of greatest concern to the SIB Audit Committee, RIO Management, and our external audit partners. Audit Services will continue to work closely with the SIB Audit Committee, RIO Management, and our external audit partners to continue to improve overall efficiency, effectiveness, and economy of total audit activity.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
TFFR EMPLOYER AUDIT PROGRESS AND STATUS REPORT
FOURTH AUDIT CYCLE
FOURTH AUDIT CYCLE START DATE: May 23, 2016
FOURTH AUDIT CYCLE END DATE:

	Size	District ID	Auditor	Employer	Anticipated Notification Timeframe	100% or On-site	Info Request	Info Received	Audit Started	Report Date	Corrections to Retirement Services	Invoice/Check Received from Retirement Services	Status	Members	Days b/w Info Request and Received (Business Days)	Days b/w Info Received and Report (Business Days)	Days b/w Info Received and Start Date (Business Days)	Days b/w Start and Report (Business Days)	Days w/Retirement Services (Business Days)	Audit Findings	Hours to Complete
21	M	06-001	INTERN	BOWMAN SCHOOL	October 2015		10/19/2015	11/13/2015	5/23/2016	6/16/2016	6/15/2016	6/16/2016	Complete	53	20	155	137	19	2	In Compliance	15
END OF FISCAL YEAR 2015-2016																					
3	S	53-006	INTERN	EIGHT MILE SCHOOL	October 2015		10/19/2015	11/2/2015	5/27/2016	7/1/2016	6/28/2016	7/1/2016	Complete	23	11	175	150	26	4	In Compliance	20
4	S	13-019	INTERN	HALLIDAY SCHOOL	October 2015		10/19/2015	11/12/2015	5/17/2016	7/28/2016	7/19/2016	7/27/2016	Complete	12	19	186	134	53	7	Generally In Compliance	22
5	S	02-007	INTERN	BARNES COUNTY NORTH	October 2015		10/19/2015	11/3/2015	6/1/2016	7/28/2016	7/19/2016	7/27/2016	Complete	31	12	193	152	42	7	In Compliance	13
6	S	25-001	INTERN	VELVA SCHOOL	October 2015		10/19/2015	6/7/2016	6/7/2016	7/28/2016	7/19/2016	7/27/2016	Complete	47	167	38	1	38	7	In Compliance	18
7	S	41-006	INTERN	SARGENT CENTRAL SCHOOL	April 2016		4/27/2016	5/12/2016	6/16/2016	8/19/2016	8/4/2016	8/18/2016	Complete	28	12	72	26	47	11	Generally In Compliance	30
8	S	20-018	INTERN	GRIGGS COUNTY CENTRAL SCH	May 2016		5/26/2016	6/6/2016	7/14/2016	8/24/2016	8/16/2016	8/24/2016	Complete	32	8	58	29	30	7	In Compliance	15
9	S	40-029	INTERN	ROLETTE SCHOOL	May 2016		5/25/2016	6/2/2016	7/12/2016	8/26/2016	8/16/2016	8/25/2016	Complete	22	7	62	29	34	8	In Compliance	16
10	S	27-014	INTERN	YELLOWSTONE ELEM. SCHOOL	April 2016		4/27/2016	6/9/2016	7/15/2016	8/26/2016	8/17/2016	8/25/2016	Complete	10	32	57	27	31	7	In Compliance	11
11	S	34-118	INTERN	VALLEY - EDINBURG SCHOOL	April 2016		4/27/2016	4/29/2016	6/6/2016	9/7/2016	8/12/2016	9/1/2016	Complete	33	3	94	27	68	15	In Compliance	23
12	S	45-013	INTERN	BELFIELD PUBLIC SCHOOL	April 2016		4/27/2016	5/20/2016	7/11/2016	9/7/2016	8/16/2016	9/1/2016	Complete	34	18	79	37	43	13	In Compliance	13
13	S	31-003	TMB	PARSHALL SCHOOL - SPECIAL AUDIT FY 2016	N/A		8/8/2016	8/9/2016	5/10/2016	7/15/2016	9/15/2016	9/14/2016	Complete	35	2	28	2	27	10	Not In Compliance	45
14	S	03-006	DT	LEEDS SCHOOL	May 2016		5/26/2016	6/13/2016	9/22/2016	11/22/2016	11/7/2016	11/14/2016	Complete	23	13	117	74	44	6	In Compliance	66
15	S	42-019	TMB	MCCLUSKY SCHOOL	October 2016		9/28/2016	10/5/2016	10/18/2016	12/6/2016	11/29/2016	12/5/2016	Complete	17	6	45	10	36	5	In Compliance	24
16	M	27-001	INTERN/DT	MCKENZIE COUNTY SCHOOL	April 2016		4/26/2016	6/10/2016	7/21/2016	12/19/2016	12/1/2016	12/8/2016	Complete	89	34	137	30	108	6	Generally In Compliance	68
17	S	07-027	TMB	POWERS LAKE SCHOOL	April 2016		4/26/2016	7/25/2016	10/11/2016	2/10/2017	2/2/2017	2/9/2017	Complete	25	65	145	57	89	6	In Compliance	67
18	S	10-023	TMB	LANGDON AREA SCHOOL - SPECIAL AUDIT FY 2016	N/A		11/14/2016	11/17/2016	11/18/2016	2/24/2017	2/16/2017	2/23/2017	Complete	43	4	72	2	71	6	Not In Compliance	116
19	S	30-048	TMB	GLEN ULLIN SCHOOL 2015-2016 NIC Review	October 2016		9/28/2016	10/28/2016	12/28/2016	3/3/2017	2/24/2017	3/2/2017	Complete	25	23	91	44	48	5	In Compliance	19
20	S	34-019	DT	DRAYTON SCHOOL	May 2016		5/26/2016	6/29/2016	11/8/2016	3/28/2017	3/17/2017	3/22/2017	Complete	28	25	195	95	101	4	In Compliance	133
21	S	18-129	DT	NORTHWOOD SCHOOL	May 2016		5/26/2016	7/1/2016	11/17/2016	3/31/2017	3/22/2017	3/29/2017	Complete	29	27	196	100	97	6	In Compliance	99
22	L	53-001	TMB	WILLISTON SCHOOL	October 2016		9/28/2016	10/10/2016	10/21/2016	4/18/2017	4/5/2017	4/18/2017	Complete	271	9	137	10	128	10	In Compliance	85
26	S	49-003	DT	CENTRAL VALLEY SCHOOL	October 2016		9/28/2016	10/17/2016	3/7/2017	6/1/2017	N/A	N/A	Complete	22	14	164	102	63	N/A	In Compliance	69
23	M	40-001	TMB	DUNSEITH SCHOOL	May 2016		5/26/2016	7/14/2016	10/10/2016	6/7/2017	5/22/2017	6/6/2017	Complete	54	36	235	63	173	12	In Compliance	83
25	S	03-005	DT	MINNEWAUKAN SCHOOL	October 2016		9/28/2016	9/28/2016	1/24/2017	6/9/2017	5/24/2017	6/5/2017	Complete	30	1	183	85	99	12	Generally In Compliance	122
END OF FISCAL YEAR 2016-2017																					
1	S	38-026	DT	GLENBURN SCHOOL	October 2016		9/28/2016	10/20/2016	3/16/2017	8/8/2017	7/31/2017	8/2/2017	Complete	37	17	209	106	104	2	In Compliance	97
2	S	24-056	TMB	GACKLE-STREETER PUB SCH	June 2017		6/14/2017	7/12/2017	8/14/2017	10/2/2017	9/13/2017	9/29/2017	Complete	18	21	59	24	36	16	In Compliance	21
3	S	18-400	TMB	ND SCHOOL FOR BLIND	June 2017		6/14/2017	7/12/2017	8/14/2017	10/23/2017	9/27/2017	10/23/2017	Complete	15	21	74	24	51	26	In Compliance	23
4	S	25-014	TMB	ANAMOOSE SCHOOL	January 2017		1/18/2017	2/15/2017	7/5/2017	10/24/2017	N/A	N/A	Complete	14	21	180	101	80	N/A	In Compliance	35
5	S	03-030	TMB	FT. TOTTEN - SPECIAL AUDIT FY 2016 100% Master Payroll File, Contracts	June 2017		6/2/2017	7/5/2017	7/12/2017	10/30/2017	10/23/2017	10/30/2017	Complete	28	24	84	6	79	7	In Compliance	46
6	M	09-002	DT	KINDRED SCHOOL	January 2017		1/18/2017	1/26/2017	6/12/2017	11/14/2017	10/12/2017	11/9/2017	Complete	56	7	209	98	112	28	Generally In Compliance	75
7	S	43-004	INTERN/TMB	FORT YATES SCHOOL*	October 2015		10/19/2015	6/10/2016	6/10/2016	11/29/2017	10/13/2017	11/20/2017	Complete	32	170	384	1	384	38	Not in Compliance	359
8	S	53-015	DT	TIOGA SCHOOL	January 2017		1/18/2017	2/2/2017	7/7/2017	11/29/2017	11/14/2017	11/22/2017	Complete	48	12	215	112	104	8	In Compliance	110
9	S	06-033	DT	SCRANTON SCHOOL****	July 2017		7/31/2017	8/2/2017	10/20/2017	1/31/2018	4/16/2018	4/24/2018	Complete	20	3	131	58	74	8	In Compliance	151
				Salary appeal in progress - 1 member salary pending																	
10	S	31-003	DT	PARSHALL SCHOOL - SPECIAL AUDIT FY 2017	October 2017		9/27/2017	10/13/2017	1/26/2018				In progress	31	13		76				
11	S	27-002	DT	ALEXANDER SCHOOL	July 2017		7/31/2017	8/15/2017	2/27/2018				In progress	23	12	0	141	0	0		
12	S	53-099	SS	GRENORA SCHOOL	July 2017		7/31/2017	9/5/2017	3/13/2018				In progress	22	27	0	0	0	0		
13	S	28-051		GARRISON SCHOOL New Bus. Mgr. 11/2016	July 2017		7/31/2017	8/9/2017					Pending	44	8	0	0	0	0		
14	S	39-028		LIDGERWOOD SCHOOL	July 2017		7/31/2017	9/7/2017					Pending	45	29	0	0	0	0		
15	S	03-029		WARWICK SCHOOL - NIC REVIEW	March 2018		3/7/2018	4/5/2018					Pending	31	22						
16	S	21-009		NEW ENGLAND SCHOOL	March 2018		3/9/2018						Pending	26							
17	S	28-001		WILTON SCHOOL	March 2018		3/14/2018						Pending	32							
18	S	23-003		EDGELEY SCHOOL	May 2018								IT Data Requested								
19	M	51-007		UNITED SCHOOL	May 2018								IT Data Requested								
20	S	01-013		HETTINGER SCHOOL									IT Data Requested								
21	S	02-201		SHEYENNE VALLEY SPEC ED									IT Data Requested								
22	S	28-050		MAX SCHOOL									IT Data Requested								
23	S	21-001		MOTT-REGENT SCHOOL									IT Data Requested								
24	L	47-001		JAMESTOWN SCHOOL									IT Data Requested								
25	S	28-072		TURTLE LAKE-MERCER SCHOOL									IT Data Requested								
END OF FISCAL YEAR 2017-2018																					

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
TFFR EMPLOYER COMPLIANCE AUDITS
JULY 1, 2017 TO JUNE 30, 2018

		EMPLOYER	FISCAL YEARS	TOTAL MEMBER\$	REPORT DATE	EMPLOYER CONTRIB'S DR(CR)	MEMBER SALARY ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS	
X		Audits Pending - (5)				In Compliance		7		
&		Audits in Progress - (3)				Generally in Compliance		1		
✓		Audits Completed - (8)				Not in Compliance (NIC)		1		
✓		NIC Review Completed - (0)						9		
✓		Special Audit Completed (1)								
		Audits Carried Over From 2016/17 - (8)								
		NIC Audits Carried Over From 2016/17 - (0)								
		Audit Notifications Sent 2017/18 - (7)								
		NIC Notifications Sent 2017/18 - (1)								
		Special Audits notifications(1)								
1	&	DT	Alexander	6/30/2015, 16	23				Audit in progress.	
2	✓	TMB	Anamoose	6/30/2015, 16	14	10/24/2017	\$0.00	0	0	In compliance Employer reported ineligible referee salary.
3	✓	TMB	Fort Totten Special Audit	6/30/2015, 16	28	10/30/2017	(\$2,107.16)	8	1	In compliance Employer reported professional development salary in the wrong fiscal year; reported ineligible health reimbursement, recruiting/sign on bonuses, and busing salary; and did not report summer salary.
4	✓	TMB	Ft. Yates	6/30/2014, 15	32	11/28/2017	\$43,621.53	38	7	Not in compliance The employer reported summer and contract salary in the wrong fiscal year; eligible contract and summer salary was not reported; did not report previously reported salary; reported ineligible expense reimbursement ; non-contracted subbing salary was reported; undetermined error for salary reported occurred; undetermined error for ineligible salary occurred; ineligible individuals were reported; and hours were reported incorrectly and not monitored for retired teachers returned to covered employment.
5	✓	TMB	Gackle-Streeter	6/30/2015, 16	18	10/2/2017	\$281.75	2	1	In compliance The employer failed to report eligible coaching and concessions salary; actual service hours were not reported; and the employer did not actively monitor service hours for retired members who returned to teach.
6	X	DT	Garrison	6/30/2015, 16	44					Audit information received and is pending.
7	✓	DT	Glenburn	6/30/2014, 15	37	8/8/2017	\$0.00	0	3	In compliance The employer did not monitor and report actual service hours for retirees who returned to covered employment; did not report eligible professional development and in-staff substitute teaching salary, and reported service hours incorrectly for part-time teachers.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
TFFR EMPLOYER COMPLIANCE AUDITS
JULY 1, 2017 TO JUNE 30, 2018

			EMPLOYER	FISCAL YEARS	TOTAL MEMBER	REPORT DATE	EMPLOYER CONTRIB'S DR(CR)	MEMBER SALARY ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
8	&	SS	Grenora	6/30/2015, 16	22					Audit in Progress.
9	✓	DT	Kindred	6/30/2015, 16	56	11/14/2017	(\$1,840.56)	2	0	Generally in Compliance The employer reported salary after deducting an annuity and cash in lieu benefit payments; reported ineligible cash in lieu of benefit payments; reported ineligible grounds maintenance salary; and did not keep records for Math Committee attendance to ensure salary was reported in the correct fiscal year.
10	✗		Lidgerwood	6/30/2015, 16	45					Audit information received and is pending.
11	✗		New England	6/30/2016, 17	26					Audit information received and is pending.
12	✓	TMB	North Dakota School for the Blind	6/30/2015, 16	15	10/23/2017	\$0.00	2	1	In Compliance Employer reported summer salary in the wrong fiscal year and service hours were reported incorrectly.
13	&	DT	Parshall Special Audit	6/30/2017	33					Audit in progress.
14	✓	DT	Scranton Salary Determination Appeal with the TFFR Board, moved on to next step in process	6/30/2015, 16	20	1/31/2018	(\$6,144.40)	2	1	In compliance Employer reported ineligible salary: signing bonus, fringe benefits converted to salary (housing, electricity, meal allowances, and insurance deductible reimbursement); and service hours error for one part-time member.
15	✓	DT	Tioga	6/30/2015, 16	48	12/1/2017	\$1,681.87	4	0	In compliance Employer reported salary after an annuity deduction; Overpaid contract salary; reported subbing salary without a written agreement; and did not actively monitor service hours for retired teachers who returned to teach.
16	✗		Warwick NIC Review	6/30/2017	31					Audit information received and is pending.
17	✗		Wilton	6/30/2016, 17	32					Audit information received and is pending.
Totals					524		\$35,493.03	58	14	

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
SCRANTON PUBLIC SCHOOLS
JANUARY 31, 2018**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with RIO/TFFR Management upon completion. Independent reports are filed with the Audit Committee of the State Investment Board (SIB) quarterly. All independent reports filed with the Audit Committee of the SIB are published on the RIO website in compliance with North Dakota open records and meetings laws.

SCOPE

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(10). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the employer for the 2014/15 through 2015/16 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. Please reference the worksheet labeled *Primary Test*.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited.

The Primary Test did not disclose any reporting procedure used by the employer that would affect a large portion of the population for fiscal years 2014/15 through 2015/16. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2014/15 through 2015/16 reported by the Scranton Public Schools were in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (10). The following findings were noted.

1. The Employer reported an ineligible signing bonus salary for one member in 2013/14, 2014/15 and 2015/16.
2. The Employer reported ineligible fringe benefits converted to salary on an individual basis one member in 2015/16, 2016/17, and 2017/18.
3. The Employer did not issue a written agreement for summer salary for one member in 2014/15 and 2015/16.
4. The Employer reported service hours incorrectly for one part-time teacher in 2015/16.

RECOMMENDATIONS AND CORRECTIVE ACTION

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is www.nd.gov/rio/TFFR/Publications.

Finding 1 and 2:

The employer reported the following ineligible salary to TFFR: signing bonus and fringe benefits converted to salary (housing allowance, utility allowance, meal allowance, and deductible reimbursement) for fiscal years 2013/14 through 2017/18. This caused an overpayment of salary and contributions to TFFR. Corrections will be made to the two members' accounts. RIO will notify the members that adjustments have been made. The Employer will be reimbursed for the overpaid contributions. Please reference the worksheets labeled *Primary Test* and *Change in Salaries and Contributions* for additional information.

Finding 3:

The Employer reported summer salary without a written agreement for one member for fiscal years 2014/15 and 2015/16. TFFR recommends that the employer provide written agreements to **all** members for summer salary. A written agreement can be a contract, school board minutes or other official document evidencing a contractual relationship between a teacher and a participating employer. If written agreements are not issued to a teacher employed elsewhere or to teachers without a continuing contract with the employer, the salary would not be reported to TFFR. Please reference the worksheet labeled *Primary Test* for additional information

Finding 4:

The Employer did not report actual service hours worked for one part-time teacher in fiscal year 2015/16. The Employer is required to report actual hours worked for part-time teachers. **Actual hours reported for part-time teachers should include the number of hours for teaching, in-staff substitute teaching, professional development, extra-curricular duties, before/after school and summer school programs (including driver's education).** RIO will notify the member that an adjustment has been made. Please reference the Service Hours Correction Schedule for the member.

Scranton Public Schools is required to provide a written response detailing actions to be taken to correct the findings noted in the audit report. The response is due 30 days after the audit report has been mailed (March 5, 2018).

The school district has the right to appeal the audit report to the TFFR Board. In order to initiate a board appeal, the school district must file a written request for Board review within 30 days after the audit report has been mailed (March 5, 2018). The request for Board review must include the decision being appealed, the reason(s) the school district believes the decision should be reversed or modified, and any relevant documentation.

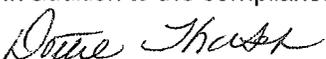
An appeal hearing will then be scheduled as part of a regularly scheduled TFFR Board meeting. School district representatives may attend and speak at the hearing. A summary of the relevant facts and documentation will be presented. After review of the facts, documentation, and testimony, the Board will make its decision. The Board's decision will be communicated in writing to the school district within 30 days of the decision.

Any individual aggrieved by a decision of the Board may initiate a formal administrative action against the Board in accordance with ND Administrative Code, Chapter 82-10 and ND Century Code Chapter 28-32-Administrative Agencies Practice Act.

If required, member account corrections will be made and overpaid contributions will be returned to the school district after the 30-day appeal period has expired, or at the conclusion of board appeal proceedings, if any.

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Dottie Thorsen
Auditor

Enclosures

Audit Services – North Dakota Retirement and Investment Office
TFFR File Maintenance Audit
August 2017- First Quarter
Audit Report
May 11, 2018

Background

On a quarterly basis the Audit Services Division of the Retirement and Investment Office (RIO) reviews system generated (CPAS) audit tables to ensure transactions initiated by staff are expected and appropriate given an individual's role within the organization. The accuracy of month end reporting of lump sum payments and installment purchases of service credit is verified. Member accounts are also reviewed to ensure contact and demographic information has been updated correctly per Member Action Forms on file. This review is a part of the Audit Services Division continuous monitoring activities.

Results Summary

Audit Services determined that audit table transactions which occurred in the first quarter of fiscal year 2017/2018 for the month of August for all user IDs were expected and appropriate based on the organizational role held by the individual who initiated the transaction. There was one procedural change recommended for name changes (See Phase I). Month end reporting of lump sum payments and installment purchases of service credit was accurate. The staff of Retirement Services adhered to established procedures for the processing of purchases, refunds, rollovers, and partial lump sum options (PLSO). For Phase III, actuarially significant contact and demographic information on member accounts was retained on FileNet and accurate per the Member Action Forms (MAF) received with one exception. There was also one procedural change recommended.

Scope

Audit information is obtained throughout the quarter under review. System generated audit table reports are run quarterly by Audit Services staff. Staff roles and responsibilities and departmental procedures are verified annually with Division management. System generated reports of lump sum payments and installment purchases of service credit are provided monthly by the Information Services Division which also provides a listing of system User IDs, security roles, and any changes to either on a yearly basis. Each staff member within the Information Systems Division also provides a change log which details transactions completed and who requested each transaction. Member Action Forms are collected in the first quarter of each fiscal year with the assistance of the Office Assistant. Actual audit work did not commence the month following the end of each quarter due to staff turnover.

- Phase I –
 - Review audit table reports for all CPAS User IDs which have listed transactions.
 - Identify transactions and investigate further any transactions which do not appear to be usual and customary.
- Phase II –
 - Review accuracy of month end reporting of lump sum payments and installment purchases of service credit.
 - Sample selection and testing of the processing of purchases, refunds, rollovers, and partial lump sum options (PLSO) determining level of adherence to established procedures.
- Phase III –
 - Sample selection and testing of member account updates to contact and demographic information.

Observations, Conclusions and Recommendations

Observations, Conclusions and Recommendations Phase I

CPAS generated audit tables log transactions initiated by staff, each of whom is assigned a unique user ID. The transactions are related to the day to day business operations of the Teachers' Fund for Retirement (TFFR). For

each quarter under review, Audit Services' staff selects one month and reviews all transactions for appropriateness based on the organizational role of the individual assigned to each user ID. Any transactions which do not appear to be usual and customary are investigated further.

For the first quarter of 2017/2018, the month of August was selected. Audit Services determined that audit table transactions which occurred in August 2017 for all user IDs were expected and appropriate based on the organizational role held by the individual who initiated the transactions. Five transactions required further investigation. Two of the transactions were deaths of beneficiaries that were posted to closed accounts without documentation. Since the accounts were closed (refund, non-payment death), the deaths were deleted from CPAS.

- There were three members that changed their names with no documentation on FileNet. Per current procedure, the hard copies for name change request are filed in office and purged after one year.

Recommendation: Audit Services recommends that additional documentation should be provided along with the Change of Name/Address form for a name change. The form and documentation (marriage certificate, divorce documents, or current form of government identification) should be scanned to FileNet with the same records retention as retirement documents for a name change.

Response: Retirement Services agrees with the recommendation to scan the Name/Address Change forms into FileNet beginning June 1, 2018 (note current record retention on this form is one year) and not keep them as hard copies which are manually purged after one year.

Under TFFR's current member enrollment process, a member's name, address, and social security number is initially provided by the employer and first entered into the pension software system automatically during the posting of the employer report. This name is then confirmed during the Member Action Form review and this form is kept permanently in FileNet. Once in the system, any last name changes must be submitted in writing and signed by the member before TFFR staff will update the name in the pension system. To date, we have not had any issues with members or employers informing our office that we have a totally incorrect name listed. Requiring the member to provide additional documentation will be burdensome for the members, administratively less efficient for staff, and will not have significant value since the member's name is not a primary piece of data the pension system relies on to administer the plan (primary data elements are social security number and personal identification number). Based on these points, Retirement Services will put the recommendation to provide additional documentation for a name change on hold until we are able to explore administrative practices utilized by other pension systems for a name change, and evaluate the potential effect on retirement services operations which we are trying to streamline. As we move towards a self-service environment that will allow members to update demographic information including name changes, it will be helpful to learn what others are requiring before we make a decision on whether to request and maintain more documentation on the hundreds of name changes that occur each year.

Member accounts deleted by the Data Processing Coordinator in August 2017 were located on the deleted and merged members list maintained by Retirement Services which confirmed the validity of the transactions. The account deletions did not appear on the IT change log, this omission is not significant in this instances as the validity of the transactions can be verified by other available documentation. It is important to ensure that all transactions are listed in the IT change log, this is especially true for those transactions where other available documentation is limited or not available.

Observations, Conclusions and Recommendations Phase II

The NDRIO Lump Sum Payment Register lists all refunds, rollovers, and PLSOs paid to members or beneficiaries each month. The TFFR Installment Purchase of Credit report lists the current status each month of all in progress installment purchases of service credit. Audit Services verifies that the entries on these two system generated reports correspond to a transaction on the appropriate audit table based on the organizational role held by the individual who initiated the transaction.

For each quarter under review, Audit Services staff selects one month and completes additional testing. For the first quarter of 2018, the month of August was selected. Additional testing was completed on three entries selected from the NDRIO Lump Sum Payment Register. This included one member initiated account rollover, one member who requested a refund of account value, and one member that selected partial lump sum option at retirement. Additional testing was completed on one entry selected from the TFFR Installment of Purchase Credit Report. This included an installment purchase for air time service credit and a lump-sum purchase for air time.

Audit Services determined that month end reporting of lump sum payments and installment purchases of service credit was accurate. The staff of Retirement Services adhered to established procedures for the processing of purchases, refunds, rollovers, and partial lump sum options (PLSO). Additional testing also confirmed that supporting documentation was located in FileNet and required system processes were located in CPAS for each member account selected. No discrepancies were identified between required supporting documentation and CPAS system information.

Observations, Conclusions and Recommendations Phase III

Member Action Forms are submitted to TFFR by members who are updating their status with the pension fund. For example a member may be enrolling in TFFR, returning to covered employment after a period of inactivity, or changing/adding a participating employer. Members can also designate or update a beneficiary via a Member Action Form. Member Action Forms (MAF) are collected by the Office Assistant during the first quarter of each fiscal year. Audit Services staff randomly selects two member action forms per quarter for further review.

Three forms were reviewed. The third form was reviewed during Phase I (reviewing transactions on the Membership Specialist's table report). This additional testing confirmed that all actuarially significant contact and demographic information on member accounts was entered accurately and documentation was retained on FileNet with one exception.

- On one of the three forms reviewed, a beneficiary's social security number was input incorrectly to CPAS. The Membership Specialist made the correction to the member's account.
- Per Retirement Services procedure, information from the MAFs received during a fiscal year should be input to CPAS and scanned to FileNet by the last day of June. There was information from MAFs that was not posted to CPAS and scanned to FileNet by June 30, 2017. An employer sent MAF's for new members that earned summer salary in June 2017. The information from the MAF was not input to CPAS or scanned to FileNet until August 2, 2017. Information from the MAFs was input into the system as soon as contributions and salary from the Employer was posted to CPAS. TFFR required the Employer to report June information by July 15, 2017 (next fiscal year).

Recommendation: Audit Services recommends that Retirement Services note this type of transaction for new TFFR members without current accounts who teach summer salary in June in the Procedures for entering information from the MAF.

Response: The procedures were updated to account the MAF's received later in the school year for members that are part-time, summer school teachers, or just doing extra-curricular duties.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES DIVISION
FISCAL YEAR 2017 -2018**

	FY 2018 1st QTR	FY 2018 2nd QTR	FY 2018 3rd QTR	FY 2018 4th QTR	FY 2018 TOTAL
Audit Activities					
Retirement Program Audits:					
TFFR Employer Audit Program					982
<i>Anamoose Public School District</i>	32				32
<i>Fort Totten Public School District</i>	22				22
<i>Fort Yates Public School District</i>	97				97
<i>Gackle-Streeter Public School District</i>	20				20
<i>Glenburn Public School District</i>	18				18
<i>Kindred Public School District</i>	20	17.50			37
<i>ND School for the Blind</i>	21				21
<i>Scranton Public School District</i>		72.25	78.75		151
<i>Tioga Public School District</i>	60	50.00			110
<i>Anamoose, Ft. Totten, Ft. Yates, ND. School for Blind</i>		173.50			174
<i>Alexander Public School District</i>			3.00		3
<i>Parshall Public School District</i>			31.00		31
<i>Grenora</i>			20.00		20
<i>General Employer Audits</i>		39.25	45.25		85
<i>Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications</i>	91		71.25		163
Benefit Payments Audit	162	8.25			170
TFFR File Maintenance Audit(s)	47	22.75	50.50		120
Annual Salary Verification Project	2				2
REA Project			35.00		35
Audit Continuous Improvement Project - Employer Audit Program - Census Data Audit File	11				11
Agency Administrative and Investment Audits:					
Executive Limitation Audit	9	10.25	166.25		185
RIO External Auditor Assistance	14				14
Administrative Activities					
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	166	217.00	157.00		540
Audit Committee/SIB/TFFR Attendance and Preparation	43	33.50	111.25		188
Supervisor Training			129.75		130
Professional Development/CE/General Education	10	23.25	4.00		38
Annual Leave, Sick Leave, and Holidays	198	196.50	145.75		540
Quarterly Total:	1041	864	1048.75	0.00	2954

Total Hours for 2017-2018	4,160
Actual Hours for 2017-18	3,820
Total Hours for two Supervisors	1,740
D. Thorsen Total Hours 2017-2018	2,080
T. Miller Bowley Hours 2017-2018 (Left employment with RIO October 31, 2017)	696
Sara Sauter 2017-2018 (Started employment with RIO January 3, 2018)	1044

WHAT IS INTERNAL AUDIT?

By: Sara Sauter
Education for SIB Audit Committee

What is the definition of internal audit?

- The Institute of Internal Audit (IIA) defines Internal Auditing as: an independent objective assurance and consulting activity designed to add value and improve an organizations operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process.
- Internal auditing identifies the risks that could keep and organization from achieving its goals, makes sure the organization's leaders know about these risks, and proactively recommends improvements to help reduce the risk.

Internal Audit Is Here To Help

- Identify Risks
- Find Better Ways and Best Practices
- Partner With Divisions to Find Solutions
- Prevent Problems

What is the difference between Internal Audit and External Audit?

INTERNAL AUDIT COMPARED TO EXTERNAL AUDIT

	Internal Audit	External Audit
Scope of Work	Controls for operations, safeguarding assets, compliance, and reporting reliability	Financial statements and related controls and processes
Review and Testing Level	Lower	Higher
Range of Risks	Broad	Narrow
Time Horizon	Current, with identified issues projected to future consequences	Historical data
Issue Description	Both nonquantifiable and quantifiable	Quantifiable
Materiality Focus	Efficiency, effectiveness, competitive, customer service, regulatory, public perception, continuity, etc.	Financial reporting

Institute Of Internal Auditors Guidance

- Mandatory Guidance
 - ▣ Definition of Internal Auditing
 - ▣ Code of Ethics
 - ▣ International Standards for the Professional Practice of Internal Auditing (Standards)

What are the Code of Ethics?

- Fundamental Principles
 - Integrity
 - Objectivity
 - Confidentiality
 - Competency

What are IIA's *Standards*?

- The Standards are the cornerstone for the profession of internal auditing.
- At the highest level, the sections of the Standards are:
 - ▣ Attribute Standards
 - Address the characteristics of an organizations and individuals performing internal audit activities
 - ▣ Performance Standards
 - Describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be measured

IIA Statement of Responsibilities

- The scope of internal auditing should encompass the examination of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned duties.
- Assessment (adequacy and effectiveness)
- Enhancement (measuring performance quality and improvement)

Internal Audit Responsibilities

- ❑ Offer Insight and Advice
- ❑ Evaluate Risks
- ❑ Assess Controls
- ❑ Ensure Accuracy
- ❑ Improve Operations
- ❑ Promote Ethics
- ❑ Review Processes and Procedures
- ❑ Monitor Compliance
- ❑ Assure Safeguards
- ❑ Investigate Fraud

Risk Based Approach Auditing

- The risk-based approach toward auditing is mandated by The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*
- Implementing a risk-based approach can uncover potential organizational risk that may otherwise go undetected.

What is a Risk Assessment?

- Risk assessment is a recurring, systematic process for identifying and evaluating events (i.e., possible risks and opportunities) that could affect the achievement of strategic objectives, positively or negatively.
- A risk assessment is an evaluation of risks related to the value drivers of the organization, covering strategic, financial, operational, and compliance objectives.
- Should be completed annually and drive the audit workplan

Quality Assurance and Improvement Program

- An assurance that the internal audit activity is performing at a fully professional level and in a way that meets the ever-changing needs.
- Every internal audit activity must have an effective Quality Assurance and Improvement Program.
- Must include internal assessments (both ongoing monitoring and periodic reviews) and external assessment at least every five years.

In Partnership with Management

- When internal auditing is accepted and acknowledged by an organization's leaders as a management activity, the internal auditors can fulfill their most fundamental role – supporting management and the board in achieving organizational objectives.

Final Thought

- The best we can do is size up the chances, calculate the risks involved, estimate our ability to deal with them, and make our plans with confidence - Henry Ford

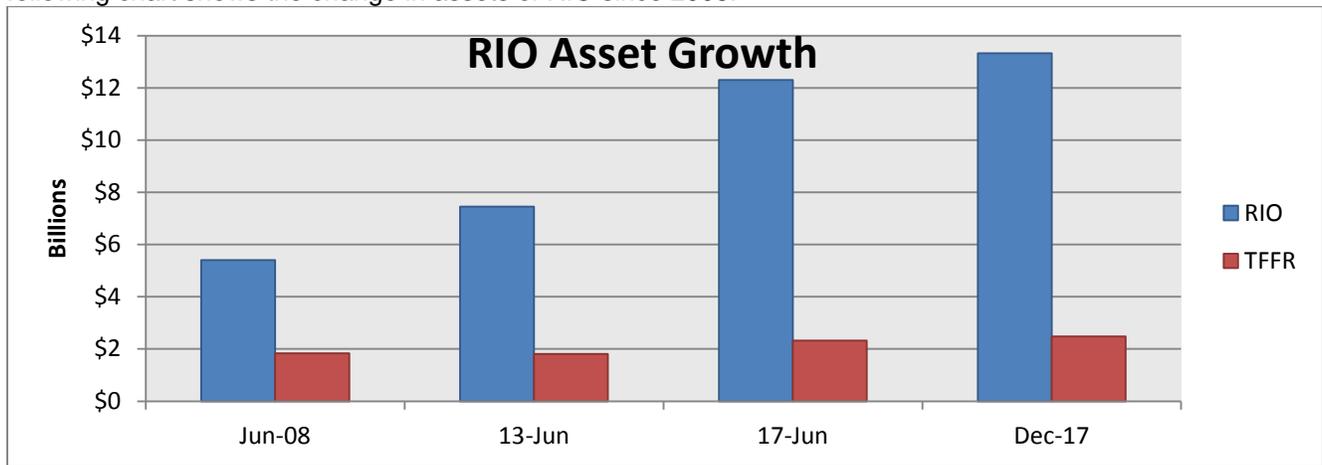
Thank you for your time, Questions?



MEMORANDUM

TO: State Investment Board (SIB) Audit Committee
FROM: Sara Sauter, Supervisor of Audit Services
DATE: May 24, 2018
SUBJECT: 2018 - 2019 Audit Services Workplan

The primary function of Audit Services for many years has been TFFR Compliance Audits. Given the growth in SIB clients and assets, Audit Services recommends an agency risk assessment should be completed on RIO's overall internal control environment and prioritize the work being performed by Audit Services from the agency risk assessment. RIO's investment oversight function has grown and changed in the past ten years. The following chart shows the change in assets of RIO since 2008.



The following information shows the amount of audit hours that was spent on the TFFR side of the agency.

Percentage of Audit Hours spent on TFFR Audits

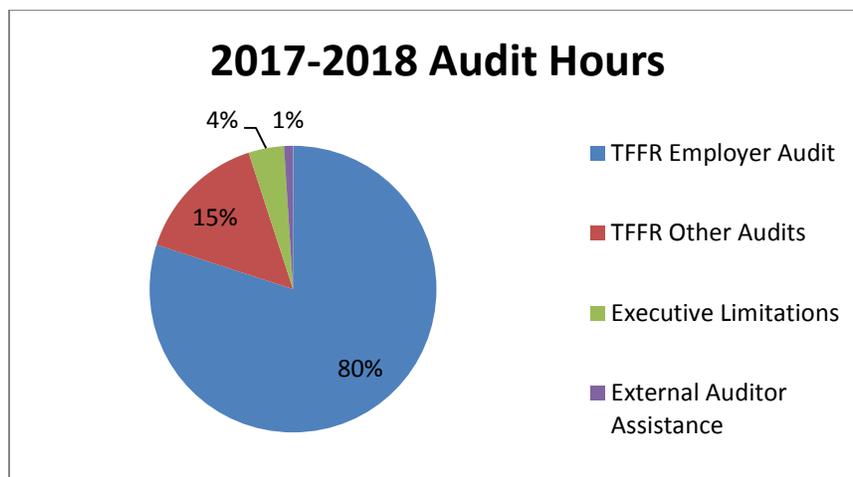
2012-13 99% (3,064 Total Audit Hours 3,039 TFFR Audit Hours)

2013-14 100% (1,222 Total Audit Hours 1,222 TFFR Audit Hours) audit was short staffed

2014-15 91% (2,146 Total Audit Hours 1,946 TFFR Audit Hours) audit was short staffed

2015-16 94% (2,654 Total Audit Hours 2,503 TFFR Audit Hours)

2016-17 94% (2,425 Total Audit Hours 2,288 TFFR Audit Hours)



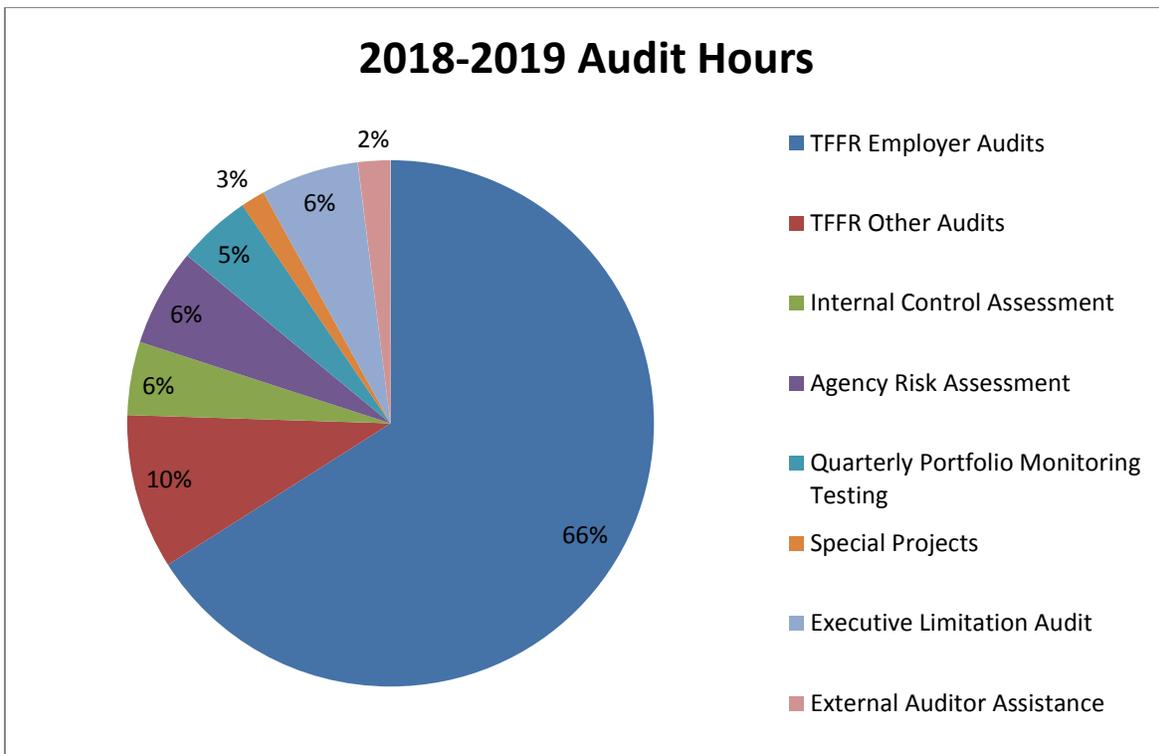
Since fiscal year 2012-13, 136 employer audits have been completed resulting in a net shortage of \$159,439.74. For five of these employers, there was a shortage of contributions of \$201,201.28 (Langdon, Fort Totten, Fort Yates, Kindred, and Dunseith). The net shortage of contributions of \$159,434.74 represents 0.0064% of the TFFR fund. It should also be noted since fiscal year 2009-2010, 207 Employer Audits were completed. 93% of these 207 audits were in compliance.

With the changing agency portfolio and the emerging risks (ex. Cybersecurity), Audit Services is recommending moving to a risk-based audit plan. To address the emerging risks and ensure effective and efficient policies and procedures, Audit Services proposes an audit workplan that addresses time spent on TFFR and the RIO agency as a whole.

The following information details the proposed workplan for Audit Services for 2018 - 2019. This workplan represents what Audit Services anticipates will be accomplished in the upcoming fiscal year, however needs and priorities may change and this workplan may require adjustments. Any anticipated changes will be discussed with the SIB Audit Committee and RIO Management as they are identified. Frequency, hours, and reporting are addressed where applicable.

Audit Services will allocate resources to the following audit activities during fiscal year 2019:

Primary Audit Responsibilities	
Total Hours Allocated: 2,680	
Teachers' Fund for Retirement (TFFR) Employer Audits	66%
<ul style="list-style-type: none"> • TFFR Audit Notifications • TFFR Compliance Audits • TFFR Not in Compliance (NIC) Reviews • TFFR Special Audits • Annual Salary Verification Project 	
TFFR File Maintenance Audit and TFFR Refund and Purchase Audit	4.5%
TFFR Cost Effective Benefit Payment Audit	5%
Internal Control Assessment	4.5%
Agency Risk Assessment	6%
Quarterly Portfolio Monitoring Testing	4.5%
Special Projects (ex. Board Self-Assessment)	1.5%
Executive Limitation Audit	6%
<ul style="list-style-type: none"> • SIB Customer Satisfaction Survey • ED/CIO Effectiveness Survey • Executive Limitations Audit CY 2017 • SIB Executive Review Committee Survey (If Requested) 	
External Auditor Assistance	2%
<ul style="list-style-type: none"> • GASB 68 Census Data Audit Notifications 	



TEACHERS’ FUND FOR RETIREMENT (TFFR) EMPLOYER AUDITING:

The primary purpose of all employer auditing is to determine if the retirement salaries and contributions reported to TFFR by a participating employer are in compliance with the definition of salary as it appears in the North Dakota Century Code (N.D.C.C. § 15-39.1-04 (10)). Reported service hours and eligibility for TFFR membership are also verified. It should be noted that RIO has no legal responsibility to test the reporting by the employers. This testing is done as a service for the TFFR members.

TFFR Audit Notifications are sent to participating employers throughout the fiscal year based on anticipated production levels with approximately two to three employers notified at one time. Audit notifications are sent electronically to key personnel including the superintendent and business manager.

The 2017-2018 employer audit plan is that each participating employer receives a TFFR Compliance Audit every eight years on a rotating cycle. The two most recent fiscal years are included in the audit and a judgmental sampling approach is used. Any employer found not in compliance at the conclusion of a TFFR Compliance Audit is eligible for a TFFR NIC Review. The purpose of a TFFR NIC Review is to ensure that reporting errors identified during the prior audit have been corrected. A TFFR NIC Review is conducted once two full years of unaudited salary are available and is similar to a TFFR Compliance Audit, however only one fiscal year is included in the audit. TFFR Special Audits are requested by RIO’s Retirement Services Division. Each of these audits is driven by the particular circumstances which necessitated the request. The audit may involve a sample of members reported by a participating employer or all members reported by a participating employer. The audit may focus on a particular month, fiscal year, or multiple fiscal years.

The 2018-2019 audit plan includes performing TFFR Employer Audits on the ten largest employers on a five year cycle. The ten largest employers employ over half of the participants reported to TFFR. A total of 15 employer audits are scheduled for the 2018-2019. Time is allotted to complete 2 TFFR Special Audits per year. RIO’s Retirement Services Division has not requested any special audits for the coming fiscal year. It is the intention of Audit Services to have 3 – 5 audits in progress with 2 audits pending but not yet started at any given time. Audit Services is working with Retirement Services on transitioning more into an overall sampling process and moving away from traditional cycles.

The Annual Salary Verification Project is intended to supplement other auditing activities. This project increases the number of participating employers included in overall audit activities and reinforces to our participating employers the importance of timely and accurate reporting. A total of 50 member accounts from 43 different

employers will be randomly selected for further verification from all available participating employers except those employers who meet the following criteria: currently being audited by Audit Services, have been notified of an upcoming audit by Audit Services, have been audited by Audit Services in the last twelve months, were selected for a GASB 68 Census Data Audit, or were included in the prior year salary verification project.

Total Hours Allocated: 1,770

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, Employer, and SIB Audit Committee

TFFR FILE MAINTENANCE AUDIT:

On an annual basis, Audit Services of the Retirement and Investment Office (RIO) will review system generated (CPAS) audit tables to ensure transactions initiated by staff are expected and appropriate given an individual's role within the organization. Member account information from six Member Action Forms will be reviewed to verify that contact and demographic information has been updated correctly per Member Action Forms on file.

Total Hours Allocated: 30

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, Fiscal and Investment Operations Manager, Supervisor of Information Systems, and SIB Audit Committee

TFFR REFUND AND PURCHASE AUDIT:

On an annual basis, Audit Services will review a sample of the system generated audit tables for eight randomly selected refunds and four randomly selected purchases of service credit (two installment and two lump sum). The accuracy of month end reporting of lump sum payments and installment purchases of service credit is also verified.

Total Hours Allocated: 90

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, Fiscal and Investment Operations Manager, Supervisor of Information Systems, and SIB Audit Committee

TFFR COST BENEFIT AUDIT:

On a biannual basis, a review of TFFR benefit recipients is completed to determine that they received their retirement benefits in a cost effective and timely manner. This audit is intended to verify that RIO's mission is being achieved. As part of this overall process, Audit Services also verifies the accuracy of benefit payments via the recalculation of benefit payments for the sampling of member accounts.

Total Hours Allocated: 140

Audit Report Recipients: Executive Director, Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, and SIB Audit Committee

Note: The TFFR Cost Benefit Audit and the TFFR Benefit Payments Audit will be done on a rotational basis.

EXECUTIVE LIMITATION AUDIT:

On an annual basis the Executive Director/CIO's compliance with the State Investment Board (SIB) Governance Manual Executive Limitation Policies A-1 through A-11 is reviewed. The most recent calendar year is included in the audit. As a part of the Executive Limitation Audit process Audit Services facilitates a number of surveys. In December of each year staff is asked to evaluate the Executive Director/CIO in the areas of leadership, communication, and valuing employees. In July of each year Audit Services facilitates a customer satisfaction survey which is administered to SIB investment clients. At the request of the SIB Executive Review Committee Audit Services will also facilitate and compile the results of the survey administered to members of the SIB each February as a part of their evaluation of the Executive Director/CIO.

Total Hours Allocated: 160

Audit Report Recipients: Executive Director/CIO, SIB Audit Committee, and SIB

INTERNAL CONTROL ASSESSMENT:

A formal internal control assessment of RIO has never been performed. The purpose of an internal control assessment is to evaluate existing internal controls and review the effectiveness of the internal controls. The assessment will document controls and review the effectiveness of the system as a whole. An assessment of

about 90 questions will cover Internal Audit, Human Resources, Information Technology, Operations, etc. This should be updated annually to ensure effectiveness and efficiency with internal controls.

Total Hours Allocated: 120

Audit Report Recipients: Executive Director, Deputy Executive Director/Chief Retirement Officer, Fiscal and Investment Operations Manager, Supervisor of Administrative Services, Supervisor of Information Systems, Retirement Program Manager, and SIB Audit Committee

AGENCY RISK ASSESSMENT:

A formal agency risk assessment of RIO has never been performed. A risk assessment is a process to identify potential risks and analyze what could happen if it would occur. The purpose of a risk assessment is to identify risk involved in the activities or systems and provide assurance that risk is being managed by management. The risk assessment should be updated annually and the internal audit plan incorporate risks identified within the risk assessment.

Total Hours Allocated: 150

Audit Report Recipients: Executive Director, Deputy Executive Director/Chief Retirement Officer, Fiscal and Investment Operations Manager, Supervisor of Administrative Services, Supervisor of Information Systems, Retirement Program Manager, SIB Audit Committee, and SIB

QUARTERLY PORTFOLIO MONITORING TESTING:

RIO investment staff has been working with Blackrock to implement a comprehensive risk management system using Blackrock's Aladdin system. This has been a work-in-progress over the past 18 months and includes a module designed to monitor investment portfolio guidelines. Based on discussion with the external auditors during preliminary fieldwork for the fiscal year 2018 financial audit, we anticipate an emphasis on designing procedures to regularly monitor investment portfolio guidelines going forward. Although guideline monitoring has been done sporadically in the past, it is considered a best practice in the industry to have a more consistent and specific process in place. RIO's Compliance Officer continues to work with Blackrock to both understand their system's capabilities in this area and ensure the system is set up to automatically monitor as many individual guidelines as possible in order to get the most useful results. Once that process is set up, Audit Services will be able to add specific testing of those processes to its audit plan to ensure that accurate monitoring is occurring. It is anticipated that this testing will occur on a quarterly basis, with a goal of starting this testing after the December 2018 quarter.

Total Hours Allocated: 120

Audit Report Recipients: Executive Director, Fiscal and Investment Operations Manager, and SIB Audit Committee

SPECIAL PROJECTS

Time has been allocated in the event that the SIB will ask for assistance in any special projects that may arise.

Total Hours Allocated: 40

Audit Report Recipients: SIB Audit Committee and SIB

EXTERNAL AUDITOR ASSISTANCE:

Audit Services assists our external auditor, CliftonLarsonAllen (CLA), with a variety of tasks related to the annual financial audit. In particular Audit Services is responsible for notifying participating employers that they have been selected to participate in an upcoming GASB 68 Census Data Audit. Audit Services is also responsible for ensuring any information requested from participating employers is provided timely to our external audit partners. Audits Services will also become more involved with the external audit assistance in preparing documents and gathering information.

Total Hours Allocated: 60

Audit Report Recipients: SIB Audit Committee

Audit Services will allocate resources to the following administrative activities during fiscal year 2019:

Primary Administrative Responsibilities	
Total Hours Allocated: 1,480	
Annual Leave, Sick Leave, and Holidays	43%
Staff Meetings, Reporting, Email, and Records Retention	30%
SIB Audit Committee, SIB, and TFFR Board Meetings <ul style="list-style-type: none">• Preparation and Attendance	20%
Annual Audit Planning	5%
Professional Development	1%

ANNUAL LEAVE, SICK LEAVE, AND HOLIDAYS:

The staff auditor earns 192 hours of annual leave per year (16 hours per month). The Supervisor of Audit Services earns 120 hours of annual leave per year (10 hours per month). The current workplan makes an allowance for each staff member to utilize 80 hours of sick leave per year. Given the nature of such leave it is anticipated that more or less leave could be utilized. During the course of the fiscal year all state offices will close on ten observed holidays including New Year’s Day, Martin Luther King Jr Day, President’s Day, Good Friday, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, and Christmas Day.

Total Hours Allocated: 632

STAFF MEETINGS, REPORTING, EMAIL, AND RECORDS RETENTION:

Audit staff engages in numerous activities required to facilitate the day to day operations of both the department and the organization. Audit Services participates in department staff meetings and organization wide staff meetings. Staff members also must manage electronic communication (heavily used by participating employers), complete time and general reporting activities, and ensure compliance with published records retention procedures.

Total Hours Allocated: 450

SIB AUDIT COMMITTEE, SIB, AND TFFR BOARD MEETINGS

The Supervisor of Audit Services is required to prepare meeting materials for all SIB Audit Committee meetings. On some occasions meeting materials are also required for SIB and TFFR meetings as Audit Services provides quarterly updates to both of these oversight boards. The Supervisor of Audit Services attends (whenever possible) all SIB Audit Committee, SIB, and TFFR meetings. The staff auditor attends (whenever possible) SIB Audit Committee meetings.

Total Hours Allocated: 300

ANNUAL AUDIT PLANNING:

Audit Services completes audit planning activities on an annual basis. A participating employer risk assessment is completed in even numbered fiscal years. The results of this risk assessment, in particular the risk score, are used to create the current year and long range TFFR Employer Audit schedules. An audit hours budget and workplan are also created.

Total Hours Allocated: 80

PROFESSIONAL DEVELOPMENT

Professional development and continuing education opportunities are critical to continued professional success. All staff members of the Audit Services Division are members of the Institute of Internal Auditors (IIA). Staff members attend monthly educational opportunities provided by our local IIA chapter on a regular basis. The IIA also offers free webinars to all IIA members throughout the year which cover a variety of auditing related topics.

Staff will continue to attend two day training seminars offered by our local IIA chapter and regional conferences if and when such opportunities are available under current budgetary constraints. Staff members will be required to participate in 8 hours of professional development activities during the fiscal year.

Total Hours Allocated: 18

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
 AUDIT SERVICES DIVISION
 BUDGETED HOURS FOR THE FISCAL YEAR JULY 1, 2018 TO JUNE 30, 2019**

	2018 -2019 BUDGET HOURS (2 FTE'S)
Primary Audit Responsibilities - Total Hours Allocated: 2,680	
Teachers' Fund for Retirement (TFFR) Employer Audits	1,770
TFFR Audit Notifications	
TFFR Compliance Audits	
TFFR Not in Compliance (NIC) Reviews	
TFFR Special Audits	
REA Audit	
Annual Salary Verification Project	
Teachers' Fund for Retirement (TFFR) File Maintenance Audits	30
Teachers' Fund for Retirement (TFFR) Refund and Purchases Audit	90
TFFR Cost Effective Benefit Payment Audit	140
Executive Limitation Audit	160
SIB Customer Satisfaction Survey	
ED/CIO Effectiveness Survey	
Executive Limitations Audit CY 2018	
SIB Executive Review Committee Survey (If Requested)	
Internal Control Assessment	120
Agency Risk Assessment	150
Quarterly Portfolio Monitoring Testing	120
Special Projects (ex. Board Self-Assessment)	40
External Auditor Assistance	60
GASB 68 Census Data Audit Notifications	
	2,680
% of Available Hours Allocated to Primary Audit Responsibilities	64%
Primary Administrative Responsibilities - Total Hours Allocated: 1,480	
Annual Leave, Sick Leave, and Holidays	632
Staff Meetings, Reporting, Email, and Records Retention	450
SIB Audit Committee, SIB, and TFFR Board Meetings	300
Preparation and Attendance	
Annual Audit Planning	80
Professional Development	18
	1,480
% of Available Hours Allocated to Primary Administrative Responsibilities	36%
Total 2018-2019 Budget Hours	4,160
Total Budget Hours for 2018 - 2019	4,160
Budget Hours for D. Thorsen	2,080
Budget Hours for S. Sauter	2,080

**TFFR PARTICIPATING EMPLOYER RISK ASSESSMENT
CURRENT YEAR AND FUTURE TFFR EMPLOYER AUDIT PLAN**

EMPLOYER #	EMPLOYER NAME	CATEGORY	EMPLOYEES	PROJECTED AUDIT HOURS	ACTUAL AUDIT HOURS	SIZE	CHANGE KEY PERSONNEL	PRIOR COMPLIANCE AUDIT RESULTS	NIC REVIEW RESULTS	CHANGE PAYMENT MODEL	YEARS SINCE LAST COMPLIANCE AUDIT	STAFF CONCERNS	RISK SCORE	COMMENTS
Fiscal Year 2016 - 2017														
02-007	BARNES COUNTY NORTH	SCHOOL DISTRICTS	27	40	13	S	1	1	0	0	1	0	3	COMPLETED
53-006	EIGHT MILE SCHOOL	SCHOOL DISTRICTS	25	40	20	S	1	1	0	0	1	0	3	COMPLETED
13-019	HALLIDAY SCHOOL	SCHOOL DISTRICTS	7	40	22	S	0	2	0	0	1	0	3	COMPLETED
25-001	VELVA SCHOOL	SCHOOL DISTRICTS	47	40	18	S	0	1	0	0	1	0	2	COMPLETED
27-014	YELLOWSTONE ELEM. SCHOOL	SCHOOL DISTRICTS	10	40	11	S	0	1	0	0	1	0	2	COMPLETED
07-027	POWERS LAKE SCHOOL	SCHOOL DISTRICTS	25	40	67	S	1	1	1	0	1	0	4	COMPLETED
41-006	SARGENT CENTRAL SCHOOL	SCHOOL DISTRICTS	28	40	30	S	1	2	0	0	1	0	4	COMPLETED
34-118	VALLEY - EDINBURG SCHOOL	SCHOOL DISTRICTS	34	40	23	S	1	1	0	0	1	0	3	COMPLETED
45-013	BELFIELD PUBLIC SCHOOL	SCHOOL DISTRICTS	33	40	13	S	0	1	0	0	1	0	2	COMPLETED
27-001	MCKENZIE COUNTY SCHOOL	SCHOOL DISTRICTS	112	65	68	M	0	2	0	0	1	0	3	COMPLETED
40-029	ROLETTE SCHOOL	SCHOOL DISTRICTS	25	40	16	S	0	2	0	0	1	0	3	COMPLETED
03-006	LEEDS SCHOOL	SCHOOL DISTRICTS	23	40	66	S	0	2	0	0	1	0	3	COMPLETED
18-129	NORTHWOOD SCHOOL	SCHOOL DISTRICTS	29	40	99	S	0	1	0	0	1	0	2	COMPLETED
34-019	DRAYTON SCHOOL	SCHOOL DISTRICTS	27	40	133	S	1	1	0	1	1	0	4	COMPLETED
20-018	GRIGGS COUNTY CENTRAL SCH	SCHOOL DISTRICTS	31	40	15	S	1	2	0	0	1	0	4	COMPLETED
53-001	WILLISTON SCHOOL	SCHOOL DISTRICTS	279	95	85	L	1	3	3	0	1	0	8	COMPLETED
42-019	MCCLUSKY SCHOOL	SCHOOL DISTRICTS	13	40	24	S	1	3	1	0	1	0	6	COMPLETED
31-003	PARSHALL SCHOOL - SPECIAL AUDIT FY 2016	SCHOOL DISTRICTS	35	40	45	S								RETIREMENT SERVICES REQUEST COMPLETED
10-023	LANGDON AREA SCHOOLS - SPECIAL AUDIT FY 2016	SCHOOL DISTRICTS	46	40	116	S								RETIREMENT SERVICES REQUEST COMPLETED
30-048	GLEN ULLIN SCHOOL - NIC REVIEW	SCHOOL DISTRICTS	25	40	19	S	1	1	1	0	0	0	3	COMPLETED
03-030	FORT TOTTEN SCHOOL	SCHOOL DISTRICTS	26	40	353	S	1	2	0	0	1	0	4	COMPLETED
28-085	WHITE SHIELD	SCHOOL DISTRICTS	26	40	63	S	1	1	0	0	1	0	3	COMPLETED
40-001	DUNSEITH SCHOOL	SCHOOL DISTRICTS	59	65	83	M	1	3	1	0	0	0	5	COMPLETED
03-005	MINNEWAUKAN SCHOOL	SCHOOL DISTRICTS	30	40	122	S	0	3	2	0	0	0	5	COMPLETED
Fiscal Year 2017 - 2018														
43-004	FORT YATES SCHOOL	SCHOOL DISTRICTS	22	40	359	S	1	3	0	0	0	0	4	COMPLETED
49-003	CENTRAL VALLEY SCHOOL	SCHOOL DISTRICTS	22	40	69	S	1	1	1	0	0	0	3	COMPLETED
38-026	GLENBURN SCHOOL	SCHOOL DISTRICTS	32	40	97	S	1	2	0	0	0	0	3	COMPLETED
24-056	GACKLE-STREETER PUB SCH	SCHOOL DISTRICTS	20	40	21	S	1	2	0	0	0	0	3	COMPLETED
06-033	SCRANTON SCHOOL	SCHOOL DISTRICTS	21	40	151	S	0	1	0	0	0	0	1	COMPLETED
18-400	ND SCHOOL FOR BLIND	STATE AGENCIES	15	40	23	S	0	0	0	0	0	0	0	COMPLETED
53-015	TIOGA SCHOOL	SCHOOL DISTRICTS	44	40	110	S	0	2	0	0	0	0	2	COMPLETED
09-002	KINDRED SCHOOL	SCHOOL DISTRICTS	61	65	75	M	0	3	1	0	0	0	4	COMPLETED
25-014	ANAMOOSE SCHOOL	SCHOOL DISTRICTS	14	40	35	S	0	1	0	0	0	0	1	COMPLETED
03-030	FORT TOTTEN SCHOOL - SPECIAL AUDIT FY 2016	SCHOOL DISTRICTS	26	40	46	S								RETIREMENT SERVICES REQUEST COMPLETED
31-003	PARSHALL SCHOOL - SPECIAL AUDIT FY 2017	SCHOOL DISTRICTS	35	40		S								RETIREMENT SERVICES REQUEST IN PROGRESS
27-002	ALEXANDER SCHOOL	SCHOOL DISTRICTS	26	40		S	0	1	0	0	0	0	1	IN PROGRESS
53-099	GRENORA SCHOOL	SCHOOL DISTRICTS	22	40		S	0	1	0	0	0	0	1	IN PROGRESS
Fiscal Year 2018 - 2019														
31-003	PARSHALL SCHOOL - SPECIAL AUDIT FY 2017	SCHOOL DISTRICTS	35	40		S								RETIREMENT SERVICES REQUEST IN PROGRESS
27-002	ALEXANDER SCHOOL	SCHOOL DISTRICTS	26	40		S	0	1	0	0	0	0	1	IN PROGRESS
53-099	GRENORA SCHOOL	SCHOOL DISTRICTS	22	40		S	0	1	0	0	0	0	1	IN PROGRESS
03-029	WARWICK SCHOOL - NIC REVIEW	SCHOOL DISTRICTS	33	40		S	0	3	0	1	2	0	6	PENDING
28-051	GARRISON SCHOOL	SCHOOL DISTRICTS	44	40		S	1	1	0	1	3	0	6	PENDING
39-028	LIDGERWOOD SCHOOL	SCHOOL DISTRICTS	23	40		S	1	1	0	0	3	0	5	PENDING
21-009	NEW ENGLAND SCHOOL	SCHOOL DISTRICTS	25	40		S	0	1	0	1	3	0	5	PENDING
28-001	WILTON SCHOOL	SCHOOL DISTRICTS	31	40		S	1	1	0	0	3	0	5	PENDING
23-003	EDGELEY SCHOOL	SCHOOL DISTRICTS	27	40		S	1	1	0	0	3	0	5	IT DATA REQUESTED
51-007	UNITED SCHOOLS	SCHOOL DISTRICTS	60	65		M	1	2	0	0	3	0	6	IT DATA REQUESTED
28-050	MAX SCHOOL	SCHOOL DISTRICTS	23	40		S	1	1	0	0	3	0	5	IT DATA REQUESTED
21-001	MOTT-REGENT SCHOOL	SCHOOL DISTRICTS	29	40		S	1	1	0	0	3	0	5	IT DATA REQUESTED
28-072	TURTLE LAKE-MERCER SCHOOL	SCHOOL DISTRICTS	27	40		S	1	2	0	0	2	0	5	IT DATA REQUESTED
07-036	BURKE CENTRAL SCHOOL	SCHOOL DISTRICTS	20	40		S	0	1	0	0	3	0	4	
39-201	SOUTH VALLEY SPEC ED	SPECIAL EDUCATION UNITS	20	40		S	0	1	0	0	3	0	4	
35-005	RUGBY SCHOOL	SCHOOL DISTRICTS	58	65		M	0	1	0	1	3	0	5	
26-019	WISHEK SCHOOL	SCHOOL DISTRICTS	25	40		S	0	1	0	1	3	0	5	
51-001	MINOT SCHOOL	SCHOOL DISTRICTS	700	95		L	0	1	0	0	3	0	4	
47-001	JAMESTOWN SCHOOL	SCHOOL DISTRICTS	213	95		L	1	1	0	0	3	0	5	

TFFR PARTICIPATING EMPLOYER RISK ASSESSMENT
CURRENT YEAR AND FUTURE TFFR EMPLOYER AUDIT PLAN

EMPLOYER #	EMPLOYER NAME	CATEGORY	EMPLOYEES	PROJECTED AUDIT HOURS	ACTUAL AUDIT HOURS	SIZE	CHANGE KEY PERSONNEL	PRIOR COMPLIANCE AUDIT RESULTS	NIC REVIEW RESULTS	CHANGE PAYMENT MODEL	YEARS SINCE LAST COMPLIANCE AUDIT	STAFF CONCERNS	RISK SCORE	COMMENTS
43-003	SOLENN-CANNONBALL SCHOOL	SCHOOL DISTRICTS	26	40		S	0	3	1	0	3	0	7	
26-009	ASHLEY SCHOOL	SCHOOL DISTRICTS	20	40		S	1	1	0	1	3	0	6	
50-003	GRAFTON SCHOOL	SCHOOL DISTRICTS	88	65		M	1	2	0	0	3	0	6	
02-002	VALLEY CITY SCHOOL	SCHOOL DISTRICTS	86	65		M	1	1	0	1	3	0	6	
30-048	GLEN ULLIN SCHOOL	SCHOOL DISTRICTS	25	40		S	1	3	0	0	2	0	6	
09-007	MAPLETON ELEM. SCHOOL	SCHOOL DISTRICTS	13	40		S	1	1	0	0	3	0	5	
45-034	RICHARDTON-TAYLOR	SCHOOL DISTRICTS	33	40		S	0	1	0	1	3	0	5	
51-041	SURREY SCHOOL	SCHOOL DISTRICTS	42	40		S	1	1	0	0	3	0	5	
09-017	CENTRAL CASS SCHOOL	SCHOOL DISTRICTS	67	65		M	1	1	0	0	3	0	5	
13-016	KILLDEER SCHOOL	SCHOOL DISTRICTS	49	40		S	0	1	0	1	3	0	5	
46-010	HOPE SCHOOL	SCHOOL DISTRICTS	13	40		S	1	1	0	0	3	0	5	
31-002	STANLEY SCHOOL	SCHOOL DISTRICTS	62	65		M	0	1	0	1	3	0	5	
15-015	STRASBURG SCHOOL DISTRICT	SCHOOL DISTRICTS	23	40		S	1	1	0	0	3	0	5	
51-016	SAWYER SCHOOL	SCHOOL DISTRICTS	10	40		S	1	1	0	0	3	0	5	
33-001	CENTER STANTON SCHOOL	SCHOOL DISTRICTS	27	40		S	1	1	0	0	3	0	5	
49-007	HATTON EIELSON PSD	SCHOOL DISTRICTS	24	40		S	0	1	0	1	3	0	5	
23-008	LAMOURE SCHOOL	SCHOOL DISTRICTS	33	40		S	1	1	0	0	3	0	5	
24-002	NAPOLEON SCHOOL	SCHOOL DISTRICTS	30	40		S	1	1	0	0	3	0	5	
40-004	MT PLEASANT SCHOOL	SCHOOL DISTRICTS	30	40		S	0	1	0	1	3	0	5	
14-002	NEW ROCKFORD SHEYENNE SCHOOL	SCHOOL DISTRICTS	33	40		S	0	1	0	1	3	0	5	
30-001	MANDAN PUBLIC SCHOOLS	SCHOOL DISTRICTS	332	95		L	1	1	0	0	3	0	5	
11-041	OAKES SCHOOL	SCHOOL DISTRICTS	40	40		S	1	1	0	0	3	0	5	
45-009	SOUTH HEART SCHOOL	SCHOOL DISTRICTS	36	40		S	0	2	0	1	2	0	5	
18-044	LARIMORE SCHOOL	SCHOOL DISTRICTS	43	40		S	1	1	0	0	3	0	5	
39-044	RICHLAND SCHOOL	SCHOOL DISTRICTS	27	40		S	1	1	0	0	3	0	5	
28-008	UNDERWOOD SCHOOL	SCHOOL DISTRICTS	32	40		S	1	1	0	0	3	0	5	
45-001	DICKINSON SCHOOL	SCHOOL DISTRICTS	300	95		L	1	2	0	0	2	0	5	
38-001	MOHALL LANSFORD SHERWOOD	SCHOOL DISTRICTS	35	40		S	1	1	0	1	2	0	5	
29-003	HAZEN SCHOOL	SCHOOL DISTRICTS	54	65		M	1	1	0	0	3	0	5	
52-038	HARVEY SCHOOL	SCHOOL DISTRICTS	42	40		S	1	1	0	0	3	0	5	
09-200	RURAL CASS SPEC ED	SPECIAL EDUCATION UNITS	22	40		S	1	1	0	0	3	0	5	
25-060	TGU SCHOOL DISTRICT	SCHOOL DISTRICTS	43	40		S	1	1	0	0	3	0	5	
49-009	HILLSBORO SCHOOL	SCHOOL DISTRICTS	43	40		S	0	1	0	1	3	0	5	
51-200	SOURIS VALLEY SPEC ED	SPECIAL EDUCATION UNITS	16	40		S	1	1	0	0	3	0	5	
39-018	FAIRMOUNT SCHOOL	SCHOOL DISTRICTS	19	40		S	1	1	0	0	3	0	5	
05-054	NEWBURG UNITED DISTRICT	SCHOOL DISTRICTS	15	40		S	1	1	0	0	3	0	5	
34-043	ST. THOMAS SCHOOL	SCHOOL DISTRICTS	15	40		S	1	1	0	0	3	0	5	
17-003	BEACH SCHOOL	SCHOOL DISTRICTS	38	40		S	1	1	0	0	3	0	5	
41-003	NORTH SARGENT SCHOOL	SCHOOL DISTRICTS	28	40		S	1	1	0	0	3	0	5	
30-013	HEBRON SCHOOL	SCHOOL DISTRICTS	26	40		S	1	1	0	0	3	0	5	
05-001	BOTTINEAU SCHOOL	SCHOOL DISTRICTS	62	65		M	1	1	0	0	3	0	5	
30-049	NEW SALEM-ALMONT	SCHOOL DISTRICTS	36	40		S	1	1	0	0	3	0	5	
51-028	KENMARE SCHOOL	SCHOOL DISTRICTS	33	40		S	1	1	0	0	3	0	5	
27-036	MANDAREE SCHOOL	SCHOOL DISTRICTS	29	40		S	1	1	0	0	3	0	5	
15-036	LINTON SCHOOL	SCHOOL DISTRICTS	32	40		S	1	1	0	0	3	0	5	
32-001	DAKOTA PRAIRIE SCHOOL	SCHOOL DISTRICTS	36	40		S	1	1	0	0	3	0	5	
50-200	UPPER VALLEY SPEC ED	SPECIAL EDUCATION UNITS	51	65		M	1	1	0	0	3	0	5	
01-013	HETTINGER SCHOOL	SCHOOL DISTRICTS	28	40		S	0	1	0	0	3	0	4	
02-201	SHEYENNE VALLEY SPEC ED	SPECIAL EDUCATION UNITS	28	40		S	0	1	0	1	2	0	4	
12-001	DIVIDE SCHOOL	SCHOOL DISTRICTS	43	40		S	0	1	0	0	3	0	4	
34-006	CAVALIER SCHOOL	SCHOOL DISTRICTS	42	40		S	0	1	0	0	3	0	4	
50-008	PARK RIVER AREA SCHOOL DISTRICT	SCHOOL DISTRICTS	45	40		S	0	1	0	0	3	0	4	
36-001	DEVILS LAKE SCHOOL	SCHOOL DISTRICTS	169	95		L	0	2	0	0	2	0	4	
07-014	BOWBELLS SCHOOL	SCHOOL DISTRICTS	14	40		S	0	1	0	0	3	0	4	
46-019	FINLEY-SHARON SCHOOL	SCHOOL DISTRICTS	21	40		S	0	1	0	0	3	0	4	
30-039	FLASHER SCHOOL	SCHOOL DISTRICTS	24	40		S	0	2	0	0	2	0	4	
32-066	LAKOTA SCHOOL	SCHOOL DISTRICTS	25	40		S	0	1	0	0	3	0	4	
10-023	LANGDON AREA SCHOOL - NIC REVIEW	SCHOOL DISTRICTS	46	40		S	0	1	0	0	3	0	4	
39-008	HANKINSON SCHOOL	SCHOOL DISTRICTS	27	40		S	0	1	0	0	3	0	4	

TFFR PARTICIPATING EMPLOYER RISK ASSESSMENT

CURRENT YEAR AND FUTURE TFFR EMPLOYER AUDIT PLAN

EMPLOYER #	EMPLOYER NAME	CATEGORY	EMPLOYEES	PROJECTED AUDIT HOURS	ACTUAL AUDIT HOURS	SIZE	CHANGE KEY PERSONNEL	PRIOR COMPLIANCE AUDIT RESULTS	NIC REVIEW RESULTS	CHANGE PAYMENT MODEL	YEARS SINCE LAST COMPLIANCE AUDIT	STAFF CONCERNS	RISK SCORE	COMMENTS
41-002	MILNOR SCHOOL	SCHOOL DISTRICTS	30	40		S	0	1	0	0	3	0	4	
49-200	GST EDUCATIONAL SERVICES	SPECIAL EDUCATION UNITS	32	40		S	0	1	0	1	2	0	4	
48-010	NORTH STAR	SCHOOL DISTRICTS	36	40		S	0	1	0	0	3	0	4	
28-004	WASHBURN SCHOOL	SCHOOL DISTRICTS	35	40		S	0	1	0	0	3	0	4	
18-061	THOMPSON SCHOOL	SCHOOL DISTRICTS	41	40		S	0	1	0	0	3	0	4	
11-040	ELLEDALE SCHOOL	SCHOOL DISTRICTS	34	40		S	0	1	0	0	3	0	4	
18-125	MANVEL ELEM. SCHOOL	SCHOOL DISTRICTS	18	40		S	1	1	0	0	2	0	4	
09-097	NORTHERN CASS SCHOOL DIST	SCHOOL DISTRICTS	58	65		M	0	1	0	0	3	0	4	
22-001	KIDDER COUNTY SCHOOL DISTRICT	SCHOOL DISTRICTS	44	40		S	0	1	0	0	3	0	4	
47-014	MONTPELIER SCHOOL	SCHOOL DISTRICTS	21	40		S	0	1	0	1	2	0	4	
08-001	BISMARCK PUBLIC SCHOOLS	SCHOOL DISTRICTS	1,151	95		L	0	1	0	0	3	0	4	
29-201	OLIVER - MERCER SPEC ED	SPECIAL EDUCATION UNITS	18	40		S	0	2	0	0	2	0	4	
04-001	BILLINGS CO. SCHOOL DIST.	SCHOOL DISTRICTS	17	40		S	1	2	0	0	1	0	4	
52-025	FESSENDEN-BOWDON SCHOOL	SCHOOL DISTRICTS	20	40		S	0	1	0	0	3	0	4	
51-004	NEDROSE SCHOOL	SCHOOL DISTRICTS	44	40		S	0	1	0	0	3	0	4	
37-019	LISBON SCHOOL	SCHOOL DISTRICTS	60	65		M	0	1	0	0	3	0	4	
16-049	CARRINGTON SCHOOL	SCHOOL DISTRICTS	49	40		S	0	1	0	0	3	0	4	
39-200	SE REGION CAREER AND TECH	SCHOOL DISTRICTS	25	40		S	0	0	0	3	1	0	4	
20-007	MIDKOTA	SCHOOL DISTRICTS	23	40		S	1	1	0	0	2	0	4	
40-027	BELCOURT SCHOOL	SCHOOL DISTRICTS	112	95		L	0	1	0	0	3	0	4	
29-027	BEULAH SCHOOL	SCHOOL DISTRICTS	66	65		M	0	1	0	0	3	0	4	
53-002	NESSON SCHOOL	SCHOOL DISTRICTS	30	40		S	0	2	0	0	2	0	4	
37-024	ENDERLIN AREA SCHOOL DISTRICT	SCHOOL DISTRICTS	36	40		S	0	1	0	0	3	0	4	
15-006	HAZELTON - MOFFIT SCHOOL	SCHOOL DISTRICTS	19	40		S	0	2	0	0	2	0	4	
19-049	ELGIN-NEW LEIPZIG SCHOOL	SCHOOL DISTRICTS	22	40		S	1	1	0	0	2	0	4	
05-017	WESTHOPE SCHOOL	SCHOOL DISTRICTS	23	40		S	0	1	0	0	3	0	4	
18-001	GRAND FORKS SCHOOL	SCHOOL DISTRICTS	803	95		L	0	2	0	0	2	0	4	
40-003	ST. JOHN'S SCHOOL	SCHOOL DISTRICTS	44	40		S	0	1	0	0	3	0	4	
47-019	KENSAL SCHOOL	SCHOOL DISTRICTS	8	40		S	1	1	0	0	2	0	4	
31-001	NEW TOWN SCHOOL	SCHOOL DISTRICTS	91	65		M	0	1	0	0	3	0	4	
09-080	PAGE SCHOOL	SCHOOL DISTRICTS	11	40		S	1	1	0	0	2	0	4	
03-009	MADDOCK SCHOOL	SCHOOL DISTRICTS	18	40		S	1	1	0	0	2	0	4	
14-200	E CENTRAL CTR EXC CHLDN	SPECIAL EDUCATION UNITS	17	40		S	1	1	0	0	2	0	4	
18-127	EMERADO ELEMENTARY SCHOOL	SCHOOL DISTRICTS	17	40		S	1	2	0	0	1	0	4	
39-037	WAHPETON SCHOOL	SCHOOL DISTRICTS	109	95		L	0	1	0	0	3	0	4	
45-200	WEST RIVER STUDENT SERVICES	SPECIAL EDUCATION UNITS	11	40		S	1	1	0	0	2	0	4	
09-004	MAPLE VALLEY SCHOOL	SCHOOL DISTRICTS	31	40		S	1	2	0	0	1	0	4	
47-010	PINGREE - BUCHANAN SCHOOL	SCHOOL DISTRICTS	18	40		S	1	1	0	0	2	0	4	
10-019	MUNICH SCHOOL	SCHOOL DISTRICTS	19	40		S	1	1	0	0	2	0	4	
09-001	FARGO PUBLIC SCHOOLS	SCHOOL DISTRICTS	1,100	95		L	1	2	0	0	1	0	4	
43-008	SELFREDGE SCHOOL	SCHOOL DISTRICTS	17	40		S	0	1	0	0	2	0	3	
39-042	WYNDMERE SCHOOL	SCHOOL DISTRICTS	29	40		S	0	1	0	0	2	0	3	
50-020	MINTO SCHOOL	SCHOOL DISTRICTS	25	40		S	0	1	0	0	2	0	3	
35-001	WOLFORD SCHOOL	SCHOOL DISTRICTS	11	40		S	0	1	0	0	2	0	3	
36-002	EDMORE SCHOOL	SCHOOL DISTRICTS	15	40		S	0	1	0	0	2	0	3	
08-028	WING SCHOOL	SCHOOL DISTRICTS	16	40		S	1	1	0	0	1	0	3	
02-046	LITCHVILLE-MARION SCHOOL	SCHOOL DISTRICTS	17	40		S	1	1	0	0	1	0	3	
36-201	LAKE REGION SPEC ED	SPECIAL EDUCATION UNITS	32	40		S	0	1	0	0	2	0	3	
09-006	WEST FARGO SCHOOL	SCHOOL DISTRICTS	997	95		L	0	2	0	0	1	0	3	
18-128	MIDWAY SCHOOL	SCHOOL DISTRICTS	29	40		S	0	1	0	0	2	0	3	
49-010	MAY-PORT C-G SCHOOL	SCHOOL DISTRICTS	46	40		S	0	1	0	0	2	0	3	
47-003	MEDINA SCHOOL	SCHOOL DISTRICTS	21	40		S	0	1	0	0	2	0	3	
34-100	NORTH BORDER SCHOOL	SCHOOL DISTRICTS	56	65		M	0	1	0	0	2	0	3	
53-200	WILMAC SPECIAL EDUCATION	SPECIAL EDUCATION UNITS	57	40		S	1	1	0	0	1	0	3	
51-161	LEWIS AND CLARK SCHOOL	SCHOOL DISTRICTS	47	40		S	1	1	0	0	1	0	3	
30-400	ND YOUTH CORRECTIONAL CNT	STATE AGENCIES	22	40		S	1	0	0	0	1	0	2	
53-008	WILLIAMS CO SCHOOL #8	SCHOOL DISTRICTS	31	40		S	0	1	0	0	1	0	2	
51-070	SOUTH PRAIRIE ELEM SCHOOL	SCHOOL DISTRICTS	43	40		S	0	1	0	0	1	0	2	
02-200	SHEYENNE VALLEY AREA VOC	VOCATIONAL CENTERS	12	40		S	0	1	0	0	1	0	2	
23-724	JAMES RIVER MULTIDISTRICT SPEC ED UNIT	SPECIAL EDUCATION UNITS	24	40		S	0	1	0	0	1	0	2	

TFFR PARTICIPATING EMPLOYER RISK ASSESSMENT

CURRENT YEAR AND FUTURE TFFR EMPLOYER AUDIT PLAN

EMPLOYER #	EMPLOYER NAME	CATEGORY	EMPLOYEES	PROJECTED AUDIT HOURS	ACTUAL AUDIT HOURS	SIZE	CHANGE KEY PERSONNEL	PRIOR COMPLIANCE AUDIT RESULTS	NIC REVIEW RESULTS	CHANGE PAYMENT MODEL	YEARS SINCE LAST COMPLIANCE AUDIT	STAFF CONCERNS	RISK SCORE	COMMENTS
36-044	STARKWEATHER SCHOOL	SCHOOL DISTRICTS	9	40		S	0	1	0	0	1	0	2	
50-005	FORDVILLE LANKIN SCHOOL	SCHOOL DISTRICTS	11	40		S	0	1	0	0	1	0	2	
23-007	KULM SCHOOL	SCHOOL DISTRICTS	22	40		S	0	1	0	0	1	0	2	
36-400	ND SCHOOL FOR DEAF	STATE AGENCIES	17	40		S	0	0	0	0	1	0	1	
09-400	ND CENTER FOR DISTANCE EDUCATION	STATE AGENCIES	39	40		S	0	0	0	0	1	0	1	

DRAFT

AUDIT SCHEDULE JULY 2018 - JUNE 2019

JULY 2018	AUGUST 2018	SEPTEMBER 2018	OCTOBER 2018	NOVEMBER 2018	DECEMBER 2018
TFFR Employer Audits (1 per month)	TFFR Employer Audits (1 per month)	TFFR Employer Audits (1 per month)	TFFR Employer Audits (2 per month)	TFFR Employer Audit s (1 per month)	TFFR Employer Audits (1 per month)
Cost Benefit Payment Audit**				TFFR Refund and Purchase Audit	
SIB Customer Satisfaction Survey		Internal Control Assessment			ED/CIO Effectiveness Survey
Agency Risk Assessment		GASB 68 Census Data Audits (CLA)			Start Executive Limitations Audit
SIB Meeting TFFR Meeting	SIB Meeting	SIB Meeting TFFR Meeting SIB Audit Committee	SIB Meeting TFFR Meeting	SIB Meeting SIB Audit Committee	SIB Meeting (if needed)
Audit Notifications (As Needed)					
JANUARY 2019	FEBRUARY 2019	MARCH 2019	APRIL 2019	MAY 2019	JUNE 2019
TFFR Employer Audits (1 per month)	TFFR Employer Audits (1 per month)	TFFR Employer Audits (2 per month)	TFFR Employer Audits (1 per month)	TFFR Employer Audits (1 per month)	TFFR Employer Audits (2 per month)
Quarterly Portfolio Monitoring Testing				Quarterly Portfolio Monitoring Testing	
	TFFR File Maintenance Audit			Annual Salary Verification Project**	
Special Projects			Annual Audit Planning		
End Executive Limitations Audit	SIB Executive Review Comm Survey				
SIB Meeting TFFR Meeting	SIB Meeting SIB Audit Committee	SIB Meeting TFFR Meeting	SIB Meeting TFFR Meeting	SIB Meeting SIB Audit Committee	
Audit Notifications (As Needed)					

(**) Identifies audits which require documented procedures in FY 2018

Nebraska Public Employees Retirement System

Active Teachers -41,443 Retires-22,686 Plan Assets: \$9.70 billion Employers: Over 260

Audit Staff: 2 auditors 1 supervisor

Audits Performed on Employers: 25 – sample only one month – any problems identified are given back to the member services. In discussions with Nebraska, they have taken the approach of doing multiple trainings with business managers and found that, trainings business managers is more beneficial and has resulted in less audit findings than just doing audits.

Minnesota Teachers Retirement Association

Active Teachers – 81,811 Retires-58,632 Plan Assets: \$21 billion Employers: 550

Audit Staff: 2

Audits Performed on employers: 25-35 – reviews 1 fiscal year- if issues turned over to member services and is their decision to research and go back farther.

Teacher Retirement System of Texas

Active Teachers - 848,085 Retires 268,066 Plan Assets: \$150 billion Employers: Over 1,350

Audit Staff: 4 (only 1-2 do employer audits)

Audits Performed: 8-10 – sample one month that is recent (within the last six months) then it is up to retirement services to go back farther to correct issues. Their program has only been up and running for the last 4 years to audit employers and their plan is to in the next 5 years all employer compliance will be turned over to retirement services.

South Dakota Retirement System

Active Teachers – 40,452 Retired Teachers 27,341 Plan Assets: \$11.64 billion Employers: 165

Audit Staff: Audit is under operations there is no internal audit

Audits Performed on employers: 0 – they rely on external auditors to do compliance in relation to GASB 68

Montana Teacher's Retirement Service

Active Teachers – 18,917 Retired Teachers 14,878 Plan Assets: \$4 billion Employers: 356

Audit Staff: No internal audit division

Audits Performed on employers: 0 – they rely on external auditors to do compliance in relation to GASB 68

Arizona – no more employer audits – moved back to retirement services just spot checking 683 employers

Arkansas – not doing employer audits 672 employers

Colorado – staff of 6, one does employer and vendor audits 600 employers

Iowa – No employer audits 1,956 employers

Michigan – 15 employer audits (850 employers)

Maryland – one a 3 year cycle 100% outsourced

MEMORANDUM

TO: TFFR Board

FROM: Fay Kopp, Chief Retirement Officer
Sara Sauter, Supervisor of Retirement Services

DATE: April 19, 2018

SUBJ: TFFR Employer Audit Reporting Process

The RIO Audit Services team is considering changes to the TFFR employer compliance audit reporting process. As you know, the primary purpose of employer auditing is to determine if the retirement salaries and contributions reported to TFFR by a participating employer are in compliance with the definition of salary as it appears in state statutes. Reported service hours and eligibility for TFFR membership are also verified.

Currently, Audit Services works with the business manager of the school district/participating employer to conduct TFFR employer reporting compliance audits. At the conclusion of the audit, an audit report is issued to the Superintendent or Director of the school district/employer, and a copy is sent to the Business Manager. Under TFFR Board Policy C-8, the employer must respond in writing to the audit findings and/or recommendations within 30 days of the report. For those employers who are not in compliance, a follow up review is conducted by Audit Services once one year of unaudited salary is available, or as determined by the Chief Retirement Officer.

Auditing best practices recommend that all audit reports be issued to the governing body of the entity being audited. For TFFR employers, this is typically the school board, or other governing body of a participating employer.

RIO Audit and Retirement Services staff are discussing the possibility of issuing all future TFFR employer compliance audit reports to both the Superintendent/Director and School Board/Governing Body President. TFFR audit reports would be submitted for acceptance by the full school board at a regular meeting of the governing body. The Superintendent/Director and School Board/Governing Body president would then sign off on the audit report, and respond in writing to audit findings and/or recommendations, if any. This would be the process for both “in compliance” and “not in compliance” audit reports.

Considerations:

- Revised reporting procedure would follow audit best practices for audit reporting to the school board/governing body.
- Provides opportunity for school board/governing body to review TFFR employer compliance audits, including findings and recommendations, if any.
- Increases visibility of TFFR plan at the school board/employer level.
- Requires additional steps to the audit reporting process: school board/governing body would need to add TFFR compliance audit to meeting agenda for acceptance; board president and superintendent would need to sign off on the audit report.
- For the vast majority of TFFR employer audits found to be “in compliance,” the audit report would reflect the excellent work done by the Business Manager/Payroll staff with regards to complex TFFR reporting activities.
- For those TFFR employer audits found to be “not in compliance,” the audit report would also reflect the work done by Business Manager/Payroll staff, and appropriate action, if any, could be considered at the employer level (i.e. payroll software changes, additional training, improved documentation and record keeping practices, etc.).
- Accurate employer reporting results in accurate retirement benefit payments to TFFR members.

As Audit and Retirement Services staff consider this possible audit reporting change, we are interested in TFFR Board and Audit Committee feedback. Based on the outcome of these discussions, a TFFR Board policy change may be requested this summer.

Board Information and Discussion Only. No board action is requested.

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee
FROM: Sara Sauter, Supervisor of Audit Services
DATE: May 24, 2018
SUBJECT: 2018 - 2019 SIB Audit Committee Meeting Schedule

Included is the proposed schedule for the 2018-2019 SIB Audit Committee meeting dates. The SIB Audit Committee (per the charter) will generally meet four times a year with the authority to convene additional meetings as needed. The following items are time sensitive and do require action by the SIB Audit Committee and the SIB:

- The RIO Financial Audit Report for FY 2018 must be approved prior to November 16, 2018.
- The Executive Limitation Audit Report for CY 2018 must be approved prior to February 22, 2019.
- The RIO Financial Audit Scope and Approach for FY 2019 and the GASB 68 Schedules Audit Report must be approved prior to May 24, 2019.

The following is simply a proposed schedule and as long as the deadlines noted above are met, the SIB Audit Committee is welcome to hold their meetings on a date and time which suites their schedules.

July

July 26, 2018 – TFFR @ 1:00 PM
July 27, 2018 – SIB @ 8:30 AM

August

August 24, 2018 – SIB @ 8:30 AM

September

September 27, 2018 – SIB Audit Committee @ 10:00 AM

September 27, 2018 – TFFR @ 1:00 PM

September 28, 2018 – SIB @ 8:30 AM

October

October 25, 2018 – TFFR @ 1:00 PM

October 26, 2018 – SIB @ 8:30 AM

November

November 15, 2018 – SIB Audit Committee @ 3:00 PM

November 16, 2018 – SIB @ 8:30 AM

January

January 24, 2019 – TFFR @ 1:00 PM

January 25, 2019 – SIB @ 8:30 AM

February

February 21, 2019 – SIB Audit Committee @ 3:00PM

February 22, 2019 – SIB @ 8:30 AM

March

March 21, 2019 – TFFR @ 1:00 PM

March 22, 2019 – SIB @ 8:30 AM

April

April 25, 2019 – TFFR @ 1:00 PM

April 26, 2019 – SIB @ 8:30 AM

May

May 23, 2019 – SIB Audit Committee @ 3:00 PM

May 24, 2019 – SIB @ 8:30 AM

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Audit Services

DATE: May 24, 2018

SUBJECT: 2018-2019 Audit Committee Membership

The Audit Committee is a standing committee of the State Investment Board (SIB) authorized under SIB Governance Policy B-6, 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.

The committee is comprised of five members selected by the SIB. Three members of the Committee will represent the three groups of the SIB (Teachers' Fund for Retirement (TFFR), Public Employees Retirement System (PERS), and elected and appointed officials). The other two members are to be selected from outside the SIB and will be auditors with at least a Certified Public Accountant (CPA) or Certified Internal Auditor (CIA) designation. 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 Audit Services, Sara Sauter, by Thursday May 31, 2018 if you are willing to continue to serve on the SIB Audit Committee through the end of the next fiscal year (July 1, 2018 to June 30, 2019). The Supervisor of Audit Services can be reached via phone at 1.800.952.2970 or 701.328.9896 or via email at sasauter@nd.gov.

Briefly

Employer Newsletter

ND Teachers' Fund for Retirement
3442 East Century Avenue, PO Box 7100
Bismarck, ND 58507-7100
701-328-9885 or 1-800-952-2970

www.nd.gov/rio

April 2018

Model 3 Eliminated

The North Dakota Teachers' Fund for Retirement Board approved a change to TFFR Board Policy C-7, Employer Payment Plan Models, at their January 25, 2018 meeting. The new policy eliminates the Model 3 employer payment plan effective July 1, 2019. Current Model 3 employers will need to negotiate and convert to Model 1 (salary reduction), or Model 2 (all or partial %). If you have any questions on the TFFR models, please contact the administrative office.

TFFR Retired Member Employment Critical Shortage Exception

The Education Standards and Practices Board (ESPB) declared all content areas, except physical education, as critical shortage teaching positions for the 2018-2019 school year. ESPB declared no administrator areas as critical shortage.

Employer Contribution Rates for 2018-2019

TFFR contribution rates will remain the same for the upcoming 2018-19 school year.

Member Contribution	11.75%
Employer Contribution	12.75%

Vested Interest Newsletter

Please take a few minutes to read the March 2018 edition of the [Vested Interest Newsletter](#) on TFFR's website.

Business Manager Workshops

TFFR will be a presenter at the statewide Business Manager Workshop being held in Bismarck on May 3, 2018. We will be discussing TFFR disability benefits, employer payment plan model comparisons, reporting requirements, and other important information.

We look forward to seeing you there!



ACH Monthly Payment Option

You can now send your TFFR monthly payment by ACH. Please let us know if you are interested in switching to this fast and efficient payment method and eliminate the need to mail a check each month.

Fiscal Year-End Reminders Checklist

- ◆ **All member records including re-employed retirees must be closed with compensated hours and last date worked.** Compensated hours should be capped at 700 hours for active members. However, do not cap the hours reported for re-employed retirees and report actual compensated hours even if it exceeds 700 hours. (For re-employed retirees, **include** in-staff subbing hours and **exclude** extra-curricular and professional development hours.)
- ◆ Salary needs to be reported when **earned** and not when paid. Members contracted over 9 months, but paid over 10, 11, or 12 months, must be expensed out on the June report which is due July 15.
- ◆ Salary for summer programs must be reported when **earned** and not when paid. Report June work on the June report and July work on the July report.
- ◆ Payments for unused vacation and/or sick leave should **not** be reported to TFFR.
- ◆ An Employer Payment Plan form must be filed if an employer is changing models. The new model must be implemented at the beginning of the fiscal year (July 1) and must cover all TFFR members. Administrators cannot be covered under a different model. The form should be sent no later than August 15.
- ◆ If you do not have contributions to report for a month, please notify TFFR by e-mail, so we don't send you a late notice.

June-July Reporting of Hourly Wages

The following is a common error we see when a TFFR member works in June at an hourly wage.

- In July, an employee submits a salary request (time sheet) for hourly work done in June. These wages are paid in July and get reported on the July TFFR report in error.

Salary must be reported in the fiscal year earned, not when paid. If the salary was reported in the wrong year, please let us know. We will move the salary back to the correct fiscal year and if the contribution rates between the two years are different we will also need to address the over or under payment of contributions.

If you recognize that pay belongs in a prior year, before adding it to your regular July payroll, please contact TFFR to discuss the best way to report the pay correctly.

Report Card Newsletter

Please take a few minutes to read the February 2018 edition of the [Report Card Newsletter](#). This publication highlights:

- TFFR Member Online Services Now Available
- 2017 Valuation Shows Funding Improvement

GASB Statement 68 Update

The audited fiscal year [2017 GASB Schedules](#) of Employer Allocations and Pension Amounts by Employer, GASB 68 Disclosure Template, and Sample Journal Entries are now available on our website. Employers and auditors can use this information to complete your 2018 financials.

TFFR Employer Audit Information Corner

Sara Sauter
Supervisor of Audit Services

Electronic Notifications

Audit Services has moved to electronic audit notifications for the TFFR Compliance Audits. This is a more efficient way for Audit Services to communicate and receive the necessary documentation for the audits.

An audit notification email will come through titled "*Employer Name*" TFFR Compliance Audit Notification and will be sent to the business manager and administrator. The email will provide instructions for the attached documents to be completed and a list of information to be returned. Examples of information requested are as follows: master contracts, individual contracts, payroll information, retired teacher information, master payroll file, pay codes.

Information can be returned either by mail or electronically. The State of ND has a secure website that a link will be sent from to upload any documents with confidential information (ex. Employee records). The secure link will be sent out about a week before the items are due.

Typically, a period of 4-5 weeks is given to return the information to Audit Services. If more time is needed, please contact us and other arrangements can be made to accommodate special situations.

IRS Compensation Limit

Annually, the IRS issues a compensation limit that impacts the salary that can be reported to TFFR for benefit calculation purposes. The 2018 compensation limit is \$275,000. If you have any TFFR employees that will be earning in excess of this amount, please contact Shelly Schumacher, TFFR Retirement Program Manager, to discuss how to handle salary reporting for these employees.

TFFR Retirement Education Workshops

TFFR's 2018 statewide Retirement Education Workshops have been scheduled. All teachers are invited to register for this full day workshop that covers TFFR benefits, estate planning, Social Security benefits, health insurance, and adjusting to retirement.

Minot	July 10, 2018
West Fargo	July 12, 2018

Your help in marketing these seminars is always appreciated. To register, TFFR members should call our office at 1-800-952-2970 or 328-9886.

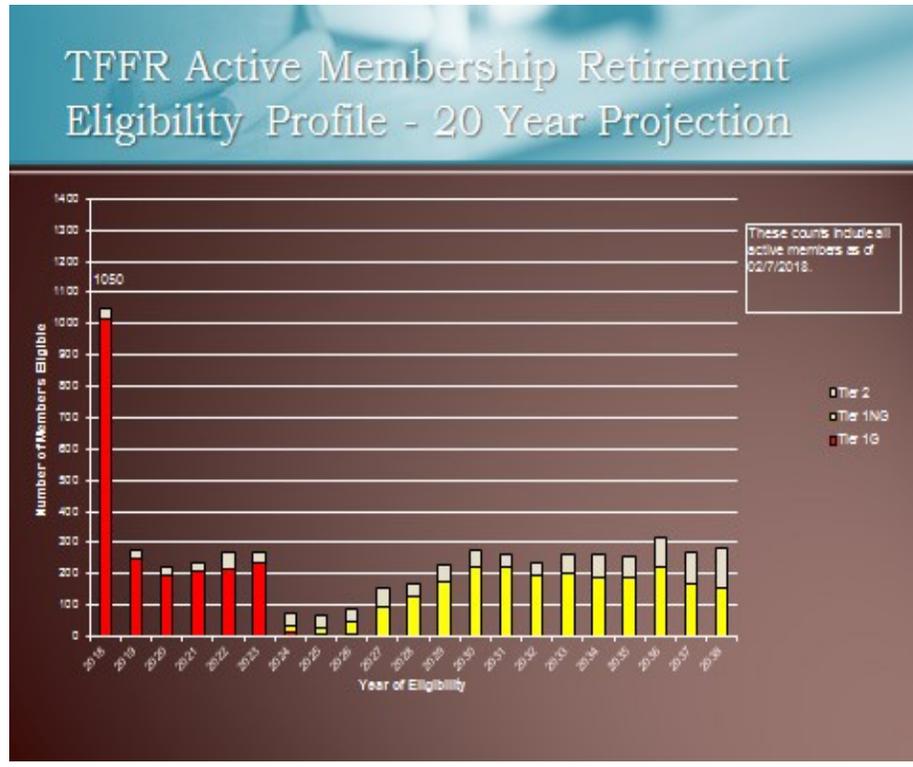
Changing Models?

If your TFFR employer payment model is changing (different model or a change in the amount of pickup under Model 2), an [Employer Payment Plan form](#) must be filed with TFFR. The model change must be implemented at the beginning of the fiscal year (July 1) and must cover all TFFR members. The form should be sent to TFFR no later than August 15. If you have any questions on the TFFR models, please contact the administrative office.

Retirement Trends Report

The following slides are taken from our annual Retirement Trends Report. If you would like to read the full report, please click [here](#).

Currently, 1,050 TFFR active members are eligible for unreduced retirement benefits.



This next slide shows the age breakdown for the 1,050 members eligible for retirement.

