

**ND STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING**

Thursday May 23, 2019 – 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 21, 2019 Minutes – Chair (committee action) (5 minutes)
3. Presentation of July 1, 2018 to June 30, 2019 Fiscal Year Financial Audit Scope and Approach and Final GASB 68 Schedule Audit Report – CliftonLarsonAllen (to follow) (committee action) (30 minutes)
4. 2018 – 2019 Third Quarter Audit Activities Report – Sara Sauter (committee action) (30 minutes)
5. 2019 - 2020 Audit Services Workplan and Budgeted Hours– Sara Sauter (committee action) (45 minutes)
6. 2019 - 2020 SIB Audit Committee Meeting Schedule – Sara Sauter (committee action) (5 minutes)
7. 2019 - 2020 SIB Audit Committee Membership – Sara Sauter (information) (5 minutes)
8. Other – Next SIB Audit Committee Meeting

****PENDING APPROVAL****

Retirement and Investment Office
Thursday September 26, 2019 - 10:00 AM
RIO Conference Room
3442 E Century Ave
Bismarck, ND

9. 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 21, 2019 MEETING**

COMMITTEE MEMBERS PRESENT: Yvonne Smith, PERS Board, Chair
Rob Lech, TFFR Board, Vice Chair
Jon Griffin, External Representative
Cindy Ternes, Workforce Safety & Insurance
Josh Wiens, External Representative

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

GUEST: Anders Odegard, Attorney General's Office

CALL TO ORDER:

Ms. Smith called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m. on Thursday, February 21, 2019, at the Retirement and Investment Office (RIO), 3442 E Century Ave., Bismarck, ND.

A quorum was present for conducting business.

AGENDA:

The agenda was considered for the February 21, 2019, meeting.

IT WAS MOVED BY MS. TERNES AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE FEBRUARY 21, 2019, MEETING AS DISTRIBUTED.

**AYES: DR. LECH, MS. TERNES, MR. WIENS, MR. GRIFFIN, AND MS. SMITH
NAYS: NONE
MOTION CARRIED**

MINUTES:

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. WIENS AND CARRIED BY A VOICE VOTE TO ACCEPT THE NOVEMBER 15, 2018, MINUTES AS DISTRIBUTED.

**AYES: MR. GRIFFIN, DR. LECH, MS. TERNES, MR. WIENS, AND MS. SMITH
NAYS: NONE
MOTION CARRIED**

LIAISON DESIGNATION:

The Audit Committee's charter states a liaison to the SIB will be appointed by the Chair. Ms. Smith appointed Dr. Lech to serve through the period of June 30, 2019.

LEGISLATIVE UPDATE:

Mr. Hunter provided an update on the following bills that RIO personnel are monitoring: HB 1013 Land Agency Budget & Investments, HB 1368 SIB Membership, HB 1504 Legacy Earnings Fund, SB 2022 RIO Budget, SB 2276 Infrastructure Revolving Loan Fund, SB 2293 Game and Fish - Special Fund, SB 2017 Game and Fish Department Budget, and SCR 4005 Legacy Fund - Principal & Earnings.

AUDIT ACTIVITIES REPORT:

Ms. Sauter reviewed the Internal Audit Division's activity for the period of September 1, 2018 - December 31, 2018.

Three Employer Audits were completed and three were in progress.

The Cost Benefit Effective Benefit Payment Audit and Executive Limitation Audits were completed.

RIO's Internal Audit Division and Information Technology Division are working with the State's Information Technology Department to develop data analytics to help streamline the Teachers' Fund for Retirement (TFFR) employer salary, service hours, and eligibility review process.

Internal Audit Services provided support to CliftonLarsonAllen (CLA) during the GASB 68 Census Data Audit for the period ending June 30, 2018.

Internal Audit Services is in the process of developing an audit on the due diligence that is being performed on the contracted SIB investment managers by RIO personnel. The audit entails reviewing the procedures and documentation that is currently being conducted.

Audit Services participated in the Institute of Internal Auditors (IIA) Central NoDak Chapter as well as other entities for continuing education.

Ms. Thorsen reviewed the Cost Benefit Effective Benefit Payment Audit process and the Internal Audit Division's findings and recommendations.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE PERIOD OF SEPTEMBER 1, 2018 - DECEMBER 31, 2018.

AYES: MS. TERNES, MR. WIENS, DR. LECH, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

EXECUTIVE LIMITATION AUDIT:

Ms. Sauter reviewed the results of the Executive Limitations Audit where the audit focuses on the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation Policies A-1 through A-11 for the calendar year beginning January 1, 2018, and ending December 31, 2018. Ms. Sauter stated the Internal Audit Division is sufficiently satisfied that the Executive Director/CIO is in compliance with SIB Governance Manual Executive Limitation Policies.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. WIENS AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS AUDIT REPORT FOR THE PERIOD OF JANUARY 1, 2018 - DECEMBER 31, 2018.

AYES: MR. GRIFFIN, MR. WIENS, DR. LECH, MS. TERNES, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

TFFR EMPLOYER REPORT PROCESS:

Ms. Sauter reviewed the procedures that the Internal Audit Division and Retirement Services have established regarding the TFFR Employer Reporting Reviews. At the November 15, 2018, meeting, the Audit Committee was advised by Mr. Odegard, RIO's legal counsel, that the Internal Audit Division of RIO is to no longer communicate their final audit reviews to the Employers. Retirement Services (the administrative unit of the TFFR Board) will communicate directly with the Employers per state statute.

GASB 68 SCHEDULE AUDIT:

Ms. Sauter informed the Audit Committee the GASB 68 Census Data Audit was issued by CLA in December 2018. CLA will be at the May 23, 2019, Audit Committee meeting to present the results of the audit.

OTHER:

The next Audit Committee meeting is scheduled for Thursday, May 23, 2019, at 3:00 p.m. at the Retirement and Investment Office, 3442 East Century Ave., Bismarck, ND.

With no further business to come before the Audit Committee, Ms. Smith adjourned the meeting at 3:51 p.m.

Respectfully Submitted:

Ms. Yvonne Smith, Chair
SIB Audit Committee

Bonnie Heit
Recording Secretary

2019 Audit Kick-off Presentation to:

North Dakota Retirement and Investment Office – Audit Committee

May 23, 2019

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Engagement Scope

- Audit of the RIO's financial statements as June 30, 2019
- Audit of TFFR's GASB 68 schedules as of June 30, 2019
- 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	April 2019
Understanding and Testing of Internal Controls	April – May 2019
Census Data Testing	July - September 2019
Substantive Procedures	August - September 2019
Final Audit Reports	Early November 2019



2018 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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RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
2018-2019 3rd Quarter Audit Activities Report
January 1, 2019 – March 31, 2019

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, 2018 through June 30, 2019 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, the concerns of management, and the SIB Audit Committee.

Retirement Program Audit Activities

• **TFFR Employer Salary, Service Hours, Eligibility Review**

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 review is completed.

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

- Three (3) employer audits had been completed.
- Three (3) employer audits were in progress.
- One employer audit notification

For one the three audits in progress, the fieldwork for the review of salaries is complete and the report will be issued to Retirement Services in April of 2019.

NOTE: Procedures for the TFFR Employer Audit Program were changed in November 2018. Audit Services will now be issuing reports to Retirement Services, not the employers. Retirement Services will be responsible for issuing reports to the employers and giving a written response on how, if any, findings and recommendations are being addressed. Retirement Services and Audit Services worked together on creating the new procedures.

• **TFFR Refund and Purchase Audit**

Annually, the Audit Services of the RIO will verify the accuracy of the reporting of lump sum payments, lump sum purchases of service credit, and installment purchases of service credit. Procedures for lump sum payments (refunds) and purchases are reviewed. Audit Services also verifies that the transactions reviewed are found on the staff member's system generated audit table reports (CPAS) and that the proper documents are found in the member's FileNet account.

The audit fieldwork has been completed and a report will be issued in April 2019.

• **Salary Verification Audit**

On an annual basis, Audit Services verifies retirement salaries and contributions reported to TFFR from the prior fiscal year. The sample size increased from 50 member accounts to 64 randomly

selected member accounts that represent 63 different employers. TFFR eligibility and service hours are also verified.

The sample has been selected and notifications for information have been sent to the employers.

- **Data Analytics**

Since January of 2018, Audit Services and RIO's Information Technology Division has been working with North Dakota Information Technology Department to develop data analytics to help streamline the TFFR Employer Salary, Service Hours, Eligibility Review process. Multiple meetings have been held, and the development of data analytics is in progress.

- **TFFR Cost Benefit Audit**

Audit Services of the Retirement and Investment Office (RIO) conducts a review to verify that retirement benefits are being paid at the Teachers' Fund for Retirement (TFFR) on a cost effective basis according to the *Ends* policy in the State Investment Board (SIB) Governance Manual. One of the missions of RIO is to ensure that TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner. This review has been completed and the Audit report was presented to the SIB Audit Committee at the February 21, 2019 meeting.

Audit Services found that benefits are being paid at TFFR on a cost effective basis according to the *Ends* policy in the SIB Governance Manual. RIO's overall mission of ensuring that TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner is also being met. Audit Services made two recommendations to improve the Presumptive Retirement Process.

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 2018 was completed in February 2019. 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 2018. The SIB Audit Committee approved the Executive Limitation Audit on February 21, 2019 and the SIB approved the Executive Limitation Audit on February 22, 2019.

- **Executive Review Committee**

In February 2019, 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 2019 and the SIB survey was administered in April 2019. Audit Services compiled the results and reported to the Executive Review Committee.

In March 2019, the SIB requested Audit Services to work with the Executive Review Committee in developing and administering a board self-evaluation. Audit Services has met with the Executive Review Committee and is in the process of developing the board self-evaluation.

- **Investment Due Diligence**

Audit Services developed an audit about the ongoing due diligence that is being performed on the investment managers that have been hired by the SIB. Discussions with investment staff and research went into the development of this new audit program. This audit includes the review of the procedures and documentation that is being done with the investment managers by RIO's staff.

A sample of investment managers was selected and documentation pertaining to the ongoing investment due diligence was reviewed. This audit is currently in progress.

Administrative Activities

The Audit Supervisor attended the monthly RIO staff meetings, monthly RIO manager's meetings, divisional meetings, three SIB meetings, two TFFR meetings, and the February SIB Audit Committee meeting. The Internal Auditing Services staff member attended the monthly RIO staff meetings, Communication and Teamwork (CAT) meetings, divisional meetings, one TFFR meeting, and the February SIB Audit Committee meeting. Audit Services also gave education at a staff meeting on what Internal Audit is, and its structure at a staff meeting.

Professional Development/CE/General Education

Audit Services continued its participation with the Institute of Internal Auditors (IIA) Central NoDak Chapter by attending the February and March monthly meetings.

The Supervisor of Audit Services started pursuing a Master's in Business Administration with a concentration in Public Administration and completed the following courses: Law in the Managerial Environment and Marketing.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES DIVISION
FISCAL YEAR 2018 -2019

Audit Activities

Retirement Program Audits:

	FY 2018 1st QTR	FY 2018 2nd QTR	FY 2019 3rd QTR	FY 2019 4th QTR	FY 2019 TOTAL
TFFR Employer Audit Program					430
<i>Alexander Public School District</i>	88	28.50			116.5
<i>Garrison Public School District</i>	37	21.50			58.5
<i>Lidgerwood Public School District</i>	47	0.00			47.0
<i>Scranton Public School District</i>	27	1.50			28.5
<i>Warwick Public School District</i>			39.50		39.5
<i>General Employer Audits</i>	8				8.3
<i>Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications</i>	6	70.00	55.25		131.25
Benefits Audit - Deaths, Long-Outstanding Checks, Long-term Members			1.50		2
TFFR Cost Effective Benefit Payment Audit	2	161.50	154.25		318
TFFR Data Analytics		20.00	9.50		30
TFFR File Maintenance Audit					0
TFFR Purchase-Refund Audit			51.25		51
Annual Salary Verification Project			56.00		56
Audit Continuous Improvement Project - Employer Audit Program - Census Data Audit File	13				13
Agency Administrative and Investment Audits:					
Executive Limitations Audit	7	11.00	148.25		166
Investment Due Diligence		53.00	10.00		63
Risk Assessment	206	7.25	14.00		227
RIO External Auditor Assistance	23	4.00			27
Administrative Activities					
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	180	221.00	197.25		598
Audit Committee/SIB/TFFR Attendance and Preparation	186	188.50	140.00		514
Professional Development/CE/General Education	1	34.25	4.00		39
Annual Leave, Sick Leave, and Holidays	209	218.25	159.25		587
Quarterly Total:	1040	1040	1040.00	0.00	3120

Total Hours for 2018-2019

4,160

D. Thorsen Total Hours 2018-2019

2,080

S. Sauter Total Hours 2018-2019

2080

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT SERVICES

TFFR EMPLOYER REVIEW OF SALARIES, SERVICE HOURS, AND ELIGIBILITY OF TEACHERS REPORTED

JULY 1, 2018 TO JUNE 30, 2019

		EMPLOYER	FISCAL YEARS	TOTAL MEMBERS	REPORT DATE	EMPLOYER CONTRIB'S DR(CR)	MEMBER SALARY ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
	×	Reviews Pending - (1)							
	&	Reviews in Progress - (2)							
	✓	Reviews Completed - (4)							
		Reviews Carried Over From 2017/18 - (6)							
		Review Notifications Sent 2017/18 - (1)							
1	✓	DT Alexander	6/30/2015, 16	23	10/25/2018	(790.21)	3	0	Four findings noted. (1) Did not actively monitor hours for two retired teachers who returned to teach; (2) reported ineligible mileage; (3) reported summer salary in the wrong fiscal year; and (4) no written agreements for summer salary.
2	✓	DT Garrison	6/30/2015, 16	44	10/29/2018	\$0.00	0	0	One finding noted. Summer agreement was not issued for one member.
3	×	Jamestown	6/30/2017, 18	212					Received requested information.
4	✓	DT Lidgerwood	6/30/2015, 16	45	9/13/2018	\$0.00	0	0	One finding noted. The employer did not actively monitor the service hours for one retiree who had returned to covered employment to ensure that the maximum allowable hours were not exceeded. Actual service hours were not reported to TFFR for the retiree.
5	&	DT New England	6/30/2016, 17	26					In progress Started review of information
6	✓	DT Warwick NIC Review	6/30/2017	31	5/16/2019	\$1,409.99	8	0	Four findings noted. Audit review - Employer corrected all errors from last audit; isolated error- reported professional development without a written agreement; service hours for retired teachers was not exact- no correction will be made; Retirement Services- corrected the deduction error; presumptive salary was given to Audit to correct- Audit does not review salaries of retiring teachers
7	&	DT Wilton	6/30/2016, 17	32					In Progress Started review of information
				Totals	413	\$619.78	11	0	

Audit Services – North Dakota Retirement and Investment Office
TFFR Purchase-Refund Audit
July 1, 2018 – March 31, 2019
Final Audit Report
April 19, 2019

Background

Annually, Audit Services of the Retirement and Investment Office (RIO) verifies the accuracy of the reporting of lump sum payments, lump sum purchases of service credit, and installment purchases of service credit. Procedures for lump sum payments (refunds) and purchases are reviewed. Audit Services also verifies that the transactions reviewed are found on the staff member's system generated audit table reports (CPAS) and that the proper documents are found in the member's FileNet account.

Results Summary

Audit Services determined the reporting of lump sum payments, lump sum purchases, and installment purchases of service credit was accurate for the sample members. Appropriate documentation was found on FileNet and the CPAS audit tables. The staff of Retirement Services (RS's) adhered to established procedures for the processing of purchases and lump sum payments excluding Exception 1 (Phase II) and Exception 3 (Phase III). Audit Services also had one recommendation to adjust the purchase procedures (Exception 2-Phase II).

Scope

Audit information is obtained throughout the year under review. System generated reports of lump sum payments and installment purchases of service credit are provided monthly by the Information Services Division. Lump Sum Purchase information is obtained by reviewing the table report of the Retirement Program Specialist (RPS) tasked with the duties.

- Phase I –
 - Review of Purchase-Refund Procedures by Audit Services and Retirement Services
- Phase II – Purchases of Service Credit
 - Review accuracy of month end reporting installment purchases of service credit.
 - Review table report of RPS tasked with purchases.
 - Sample selection and testing of the processing of installment purchases and lump sum purchases determining the level of adherence to established procedures
- Phase III – Lump Sum Payments (Refunds)
 - Review accuracy of month end reporting of lump sum payments issued.
 - Sample selection and testing of the processing of refunds resulting from a death, refunds, rollovers, and partial lump sum options (PLSO) at retirement determining level of adherence to established procedures.

Observations, Exceptions, Recommendations, and Conclusions

Observations, Exceptions, Recommendations, and Conclusions Phase I - Procedures

Audit Services reviewed the purchase and refund procedures found on the RIO/intranet. The RIO/Intranet is an interoffice website that list processes and procedures for RIO Divisions. All staff members have access to the Intranet which was established as part of the Business Continuity Plan. The procedures listed requirements and documents needed for the member to provide to TFFR in order to purchase service and/or refund their account value. Audit Services requested that the Retirement Program Manager (RPM) and the RPS tasked with Purchases to review the procedures. Minor revisions were made to the procedures March 2019. Revised documents were forwarded to Information Services to update on the RIO/Intranet.

Observations, Exceptions, Recommendations, and Conclusions Phase II - Purchases

Audit Services randomly selected four purchases of service credit (two lump sum and two installment) to review. The installment purchases sample was selected from the TFFR Installment Purchase of Credit reports that list the

current status each month of all in-progress installment purchases of service credit. Information Services provided these reports on a monthly basis. The lump sum purchase sample was selected from the audit table report (CPAS) of the RPS tasked with purchases. Three member accounts were reviewed. Two of the members were in the process of purchasing multiple types of service credit. Types of service credit reviewed were three air time, two military service, and a non-public teaching. For the sample, Audit Services verified the following:

- Entries were found on staff member table reports
- Eligibility to purchase
- Cost estimates to purchase expire after a 90-day period
- Required documents were found on the member FileNet account
- Calculations and payments were noted on the member account in CPAS
- No discrepancies were identified between supporting documentation and CPAS system information

Exception 1: In the review of the six purchases transactions, Audit Services determined that the processing for the sample members of lump sum purchases and installment purchases of service credit were accurate and followed policies and procedures except for one transaction. For one of the members, the processing of the installment purchase agreement occurred after the expiration of the 90-day cost to purchase calculation. Since RIO staff caused the delay in responding to a member's initial request, the Cost to Purchase calculation was extended and honored by TFFR.

Audit Services has no recommendation.

Exception 2: Retirement Services does not verify that a current contract has been issued by the employer.

Audit Recommendation on procedures to purchase service credit:

For an individual to be eligible for TFFR membership, an individual must be licensed by the Education Standards and Practices Board (ESPB) and have a written agreement with a qualified employer. In an audit performed the fourth quarter of 2015, Audit Services recommended that RS's verify with the employer that there was a written agreement with the member and that there was a current license with the ESPB. RS's added the recommendation to their procedures. In 2018, the requirement to verify the written agreement with the Employer was discontinued with the following explanation.

Quote in purchase procedures. This procedure has been utilized for over two years and there has not been one instance of a member not having a license and written agreement. RS's recognizes the importance of monitoring eligibility for plan participation, which is done at the employer level, and as part of TFFR employer compliance audits. Based on the past experience and having other eligibility verification procedures in place, effective January 1, 2018, RS's will no longer complete the additional task of verifying that the teacher has a written agreement with the employer. RS's will continue to check the ESPB online database to confirm the teacher is licensed- End Quote.

RS's did come and talk with audit staff when the change was made (there was no Audit Supervisor at the time).

For eligibility purposes, the requirement to verify with the employer that the member has a current contract should be reinstated to the procedures due to frequent turnover by the employer business managers. Audit Services is only recommending that RSs send an email to the employer to verify the written agreement which is not a complicated process.

Conclusion:

After reviewing the six purchases of service, Audit Services determined that the staff of Retirement Services adhered to established procedures for the processing of installment purchases and lump sum purchases excluding Exception 1. Exception 2 is a recommendation to adjust the purchase procedures. Finally, the required documents were found on the member accounts in FileNet and the information found on the documents was the same as the information found on CPAS.

Observations, Exceptions, Recommendations, and Conclusions Phase III – Lump Sum Payments

The Information Services Division produces a monthly report of refunds, the Lump Sum Payment Register (LSPR). Audit Services printed (from FileNet) and reviewed the LSPR's from August 2018 through March 2019. The eight-member sample of refunds of account value was randomly selected from the August, September, October, November, December and February reports. Types of lump sum payments reviewed were as follows: one due to a death, two due to the Partial Lump Sum Option for Retirement, three refunds, and two rollovers. For the sample, Audit Services verified the following:

- Met statutory 120 - day waiting period if applicable
- Taxes were deducted if applicable
- Appropriate documents found on the member's FileNet account
- No discrepancies were identified between supporting documentation and CPAS system information
- Recalculated contributions and refund amounts
- Verified that transactions were on staff table report

Exception 3:

Lump Sum payments of account value are processed and paid on the first of the month. Two of the sample members turned in documentation by the deadline to process the payment of a refund of their account value on November 1, 2018. Due to the miscommunication between staff and members during a time period when Retirement Services staff was out of the office for conferences and counseling sessions, the refunds were not processed. Since the delay in payment was due to the oversight by RIO staff, a special payroll was approved by the Deputy Executive Director, Retirement Officer to process the two refund payments. Refund payments were mailed to the members on November 11, 2018.

Audit Services has no recommendation.

Conclusion:

After reviewing the eight lump sum payments of account value, Audit Services determined that the staff of Retirement Services adhered to established procedures for processing lump sum payments for deaths, PLSO's, refunds, and rollovers excluding Exception 3. The required documents were found on the member accounts in FileNet. The information found on the documents was the same as the information found on CPAS. Audit staff recalculated the refunded contributions. The audit recalculated amounts were the same as CPAS. Interest amounts were not recalculated. Audit Services determined that the processing of lump sum payments of account value for the sample members was accurate excluding Exception 3.

Distribution:

David Hunter, Executive Director/CIO
Fay Kopp, Deputy Executive Director/Chief Retirement Officer
Shelly Schumacher, Retirement Program Manager
Rich Nagel, Supervisor of Information Systems

TFFR Purchase-Refund Audit – July 1, 2018 – March 31, 2019

Response to recommendation - May 2019

Recommendation #1:

Audit Recommendation on procedures to purchase service credit:

For an individual to be eligible for TFFR membership, an individual must be licensed by the Education Standards and Practices Board (ESPB) and have a written agreement with a qualified employer. In an audit performed the fourth quarter of 2015, Audit Services recommended that RS's verify with the employer that there was a written agreement with the member and that there was a current license with the ESPB. RS's added the recommendation to their procedures. In 2018, the requirement to verify the written agreement with the Employer was discontinued with the following explanation.

Quote in purchase procedures. This procedure has been utilized for over two years and there has not been one instance of a member not having a license and written agreement. RS's recognizes the importance of monitoring eligibility for plan participation, which is done at the employer level, and as part of TFFR employer compliance audits. Based on the past experience and having other eligibility verification procedures in place, effective January 1, 2018, RS's will no longer complete the additional task of verifying that the teacher has a written agreement with the employer. RS's will continue to check the ESPB online database to confirm the teacher is licensed- End Quote.

RS's did come and talk with audit staff when the change was made (there was no Audit Supervisor at the time).

For eligibility purposes, the requirement to verify with the employer that the member has a current contract should be reinstated to the procedures due to frequent turnover by the employer business managers. Audit Services is only recommending that RSs send an email to the employer to verify the written agreement which is not a complicated process.

Retirement Services Response:

Retirement Services will reinstate the practice of emailing the employer to confirm that an active member requesting to purchase service has a current contract or written agreement.

North Dakota Retirement and Investment Office
Audit Services
Executive Director/CIO Effectiveness Survey Results
March 28, 2019

Background

The Audit Services Division of the Retirement and Investment Office (RIO) on an annual basis reviews the Executive Director/CIO's level of compliance with State Investment Board (SIB) Governance Manual Executive Limitation policies A-1 through A-11. Executive Limitation policy A-2 references staff relations. In an effort to gain insight into the relationship which exists between the Executive Director/CIO and staff, an organization wide employee opinion survey is conducted annually to provide employees the opportunity to evaluate the effectiveness of the Executive Director/CIO in the areas of leadership, communication, and valuing employees. The results of this survey are then used to determine the Executive Director/CIO's compliance with Executive Limitation policy A-2.

Scope

The survey is comprised of nine multiple choice questions and one open ended question. The multiple choice questions focus on the areas of leadership, communication, and valuing employees with three questions dedicated to each area. Staff are presented with a statement and asked to select the option which best reflects how strongly they agree or disagree with the statement. Available options include strongly agree, agree, neither agree or disagree, disagree, and strongly disagree. The open ended question provides staff with the opportunity to provide comments and constructive feedback pertaining to their overall satisfaction with the job being done by the Executive Director/CIO, what the Executive Director/CIO has done well, and what the Executive Director/CIO could do better in the future.

Results Summary

Survey participation responses were received from seventeen out of eighteen employees. This is 94% participation rate. Overall survey responses continued to trend positive although some minor dissent was noted. Employees continue to provide the Executive Director/CIO with high marks with regards to leadership. The Executive Director/CIO continues to provide a clear sense of purpose and direction and defines roles and responsibilities for team members. The majority of employees have confidence in the Executive Director/CIO. Sixteen employees overwhelmingly believe the Executive Director/CIO demonstrates integrity and sets an example for others. Two team members believe that information and knowledge is not shared openly within the organization. The majority of employees do believe that the Executive Director/CIO keeps employees informed about what is occurring throughout the organization and seeks input from all team members. Consistent with prior years, the Executive Director/CIO received favorable responses in the area of valuing employees. Staff overwhelmingly agrees that the Executive Director/CIO shows genuine concern for staff and treats everyone with respect.

The responses to the open ended question were very positive with a majority of employees indicating that they are very satisfied with the job being done by the Executive Director/CIO. Comments indicated that the Executive Director/CIO provides great leadership to RIO. Numerous employees indicated that Executive Director/CIO is open, approachable, professional, and respectful, exhibits a positive attitude, and genuinely cares for employees. Employees also indicated that they believe efforts have been made to improve communication throughout the office and communication has improved in the last year. Many comments about allowing year around flextime was positively received by employees. One employee also indicated concern regarding the equitable treatment of employees, expressing a sentiment that some employees and/or divisions are favored over others.

Internal Audit – North Dakota Retirement and Investment Office
TFFR Employer Reporting Review for Warwick
July 1, 2016 – June 30, 2017
Draft Report
May 23, 2019

Background

Internal Audit of the Retirement and Investment Office (RIO) has developed an Audit Program (AP) to review the required reports and payments for the Teacher's Fund for Retirement (TFFR) members that 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. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. TFFR Employer Reporting Review reports are filed with RIO/TFFR Management upon completion. The report is also filed with the Audit Committee of the State Investment Board (SIB) quarterly. All 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.

Internal Audit (IA) of the Retirement and Investment Office (RIO) conducted an employer audit 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, were used in the examination. Other reporting procedures reviewed during the audit process included the calculation of service hours and eligibility for TFFR membership.

In the audit report dated April 22, 2016, the retirement salaries for fiscal years 2013/14 through 2014/15 reported by the Warwick School District were not in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (10). Six findings were noted in the report and a not in compliance review was scheduled for fiscal year 2016/17 to ensure that errors were corrected. Warwick received notification from IA for the additional review on March 7, 2018.

During the 2017/18 and 2018/19 fiscal years, IA revised and updated the annual Audit Work Plan (AWP) for the RIO. The time needed to update and revise the work plan delayed the start of the review of information received from Warwick.

This 2016/17 TFFR Employer Salary Review was conducted under the new procedures of the annual AWP instituted in 2019. IA started the review of the information received from the employer on February 28, 2019 and completed the review on April 25, 2019. The errors/exceptions will be forwarded to the following RS staff through this report: Deputy Executive Director/Retirement Officer and the Retirement Program Manager. Official reports with any errors/exceptions noted or recommendations to the Employer will now be issued by Retirement Services (RS).

Scope

In order to determine that reporting errors in the 2016 audit had been corrected, IA conducted a TFFR Employer Review to test the accuracy of retirement salaries/contributions, service hours, and eligibility of members reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(10).

- Phase I – Review of the Warwick Employer Audit dated April 22, 2016, review of reporting history after the timeframe of April Audit, and select a sample of members for the review of salary/service hours/eligibility, request information from the employer
- Phase II – Completed the review of information requested from the Employer to determine that salary reported was eligible, members were eligible, service hours were accurate, and that reporting errors found in audit dated April 22, 2016 had been corrected by the Employer

- Phase III – The Business Manager at Warwick notified Retirement Services that 2016/17 and 2017/18 salary errors occurred. The 2016/17 errors were forwarded to IA to be included in the review.

Results Summary

IA determined that the Warwick School District had corrected the reporting procedures noted in the audit report dated April 22, 2016 with the exception of the three errors noted in Phase II. For Phase III, there was one exception noted to policy – See Exception 1.

In conclusion, RS's should notify IA with their responses to the exception/errors found in this review within 30 days of receipt of this report.

Observations, Exceptions, Errors, Recommendations, and Conclusions

Observations, Exceptions, Errors, Recommendations, and Conclusions Phase I – Sample Selection

IA reviewed the following information: Audit report with findings, audit information for fiscal years 2013/14 and 2014/15, employer account history after the 2015 audit timeframe, and consulted with the Employer Services Coordinator for monthly reporting summary.

A sample of six members was selected for a review of 2016/17 fiscal year.

Observations, Exceptions, Errors, Recommendations, and Conclusions Phase II – Testing of information from the Employer

After reviewing the information for fiscal year 2016/17, IA determined that the Warwick School District corrected the following reporting errors from the last audit report:

- Written agreements were issued for summer salary
- Hours for retired teachers who returned to teach were monitored
- Eligible salary was reported
- Ineligible busing was not reported
- Salary was reported in the correct fiscal year – see Error 2 below
- Service hours were correctly reported – see Error 3 below

There were three errors noted in the review of information.

Error 1: Warwick hired a member for fiscal year 2017/18. The member participated in District education in June of 2017 which was reported to TFFR in June of 2017. Since the member did not have a written agreement for the 2016/17 fiscal year, the professional development/education salary and contributions paid should not have been reported to TFFR.

Audit Recommendation:

RS should inform IA with their response to the error within 30 days of receipt of this report. IA has attached details of the corrections on the salary reconciliations, Schedule 1 - Primary Test, the Schedule for Changes in Salaries and Contributions, and the Schedule 2 - Salary Correction Summary.

Error 2: In Phase 1, IA reviewed the reporting history by the employer since the April audit report (2013/14 and 2014/15). On the 2015/16 Employer Summary report, there was a one payment reported for two teachers that were no longer employed at Warwick. IA requested documentation on the July 2015 salary reported for two members due to summer salary errors that occurred in the April audit. The Business Manager stated that she was new to her position in July of 2015 and could not find documentation on why the salary was paid and reported. Both teachers were not contracted with the District in 2015/16. Since no documentation could be provided as proof of

error, IA did not recommend account changes to the two member accounts. More details can be found on the audit documentation on service credit. In 2016/17, there were no members with only summer salary reported.

Audit Recommendation:

IA checks for two types of errors during the summer months (June, July, and August): salary reported in the wrong fiscal year and summer salary reported without a written agreement. If summer salary is the only salary reported for a member by the employer in 2018/19, RS should verify that the salary is reportable.

Error 3: The Employer monitored hours of retired members who returned to teach in 2016/17. The Business Manager received calendars from the retired teachers that showed the days and hours worked. The actual hours reported for two retired teachers were not accurate. IA did not recommend corrections because the hours reported did not exceed the maximum allowable number. More details can be found on the audit documentation on service credit and retired teachers.

Audit Recommendation: None

Observations, Exceptions, Errors, Recommendations, and Conclusions Phase III – Correcting additional member's salaries forwarded to IA for correction by RS

During the Presumptive Retirement Process in 2018, RS found that Warwick had a programming error for deductions in the 2017/18 fiscal year. An insurance deduction occurred before the TFFR contribution was calculated which resulted in a salary shortage. The Business Manager from Warwick provided RS with errors found in 2016/17 and 2017/18 fiscal years in October of 2018. RS's forwarded the errors for fiscal year 2016/17 to IA to be included with the scheduled TFFR Employer Review of Salaries. Seven accounts were forwarded to IA to correct. Corrections were made from a spreadsheet generated by the Warwick Business Manager. Because one of the members on the spreadsheet had retired during the 2018 Presumptive Process, IA requested contract and payroll information to correct the salary.

IA has attached the required Schedules to make the corrections to the member accounts: see the Salary Reconciliations, Schedule 1 - Primary Test, the Schedule for Changes in Salaries and Contributions, and the Schedule 2 - Salary Correction Summary.

Exception 1: As part of the Presumptive Retirement process, RS reviews the five most recent years of salary. They review salary fluctuations and determine that the current year salary reported is eligible. One of member's salaries forwarded to IA to correct was a 2018 presumptive retiree. IA does not review salaries of members who have died or retired. This has been a standard procedure for many years and was instituted because of the duplication of duties.

Recommendation:

RS should continue to reconcile and correct the salaries of members retiring during the presumptive retirement process.

Distribution:

David Hunter, Executive Director/CIO
Fay Kopp, Deputy Executive Director/Chief Retirement Officer
Shelly Schumacher, Retirement Program Manager

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Audit Services

DATE: May 23, 2019

SUBJECT: 2019 - 2020 Audit Services Workplan

The following information details the proposed workplan for Audit Services for 2019 - 2020. 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 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 2020:

Primary Audit Responsibilities Total Hours Allocated: 2,630	
Teachers' Fund for Retirement (TFFR) Employer Reporting Reviews	43%
<ul style="list-style-type: none"> TFFR Employer Reporting Review Notifications TFFR Employer Reporting Review Annual Salary Verification Project 	
TFFR File Maintenance Audit and TFFR Refund and Purchase Audit	7.5%
Death Benefit Payment Audit	7.5%
Cash Management and Rebalancing Audit	7.5%
Internal Control Assessment	7.5%
Administrative Expenses	3%
Quarterly Portfolio Monitoring Testing	7.5%
Pension System Upgrade Assistance	4%
Executive Limitation Audit	10%
<ul style="list-style-type: none"> SIB Customer Satisfaction Survey ED/CIO Effectiveness Survey Executive Limitations Audit CY 2019 SIB Executive Review Committee Survey (If Requested) 	
External Auditor Assistance	2.5%
<ul style="list-style-type: none"> GASB 68 Census Data Audit Notifications 	

TEACHERS' FUND FOR RETIREMENT (TFFR) EMPLOYER REVIEWS:

The primary purpose of employer reviews 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 a done as a service for the TFFR members.

TFFR Employer Review 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 2019-2020 audit plan includes performing TFFR Employer Reviews on the ten largest employers on a five-year cycle. The ten largest employers employ over half of the participants reported to the TFFR program. A total of 8 salary reviews are scheduled for the 2019-2020. It is the intention of Audit Services to have 2 – 4 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 accurate reporting. A total of 65 member accounts from 60 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: 1,140

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

TFFR FILE MAINTENANCE AUDIT:

On an annual basis, Audit Services of the Retirement and Investment Office (RIO) will review system generated (CPAS) audit tables and reports to ensure transactions initiated by staff are expected and appropriate given an individual's role within the organization. Member account information from ten 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: 100

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, Chief Financial Officer, Supervisor of Information Systems, SIB Audit Committee, and TFFR Board

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 installments 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: 100

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, Chief Financial Officer, Supervisor of Information Systems, SIB Audit Committee, and TFFR Board

TFFR DEATH BENEFIT PAYMENT AUDIT:

On a biannual basis, a review of deaths, long outstanding checks, and long term annuitants is completed to determine that established policies and procedures are being followed by Retirement Services staff.

Total Hours Allocated: 200

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

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

PENSION SYSTEM UPGRADE ASSISTANCE:

TFFR was approved for a pension system upgrade to be started in the next biennial. Audit Services can help significantly reduce risks by playing a role that is educational, consultative or audit in nature, and by bringing deep independent subject-matter expertise to the most common risk areas. Audit Service's ability to operate across the agency and across all individual work streams in a program provides visibility to risks that might otherwise be lost between silos. Audit Services also went to training on project management for internal auditors to help with the upgrade process.

Total Hours Allocated: 100

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: 250

Audit Report Recipients: Executive Director/CIO, 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 2019 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.

Total Hours Allocated: 200

Audit Report Recipients: Executive Director/Chief Investment Officer, Chief Financial Officer, and SIB Audit Committee

CASH MANAGEMENT AND REBALANCING AUDIT:

Audit Services will conduct a review of procedures of the cash management and rebalancing of the investment allocations. The following procedures will be tested as part of this audit:

- Rebalancing of asset allocations sample
- Wire transactions
- Timeliness and accuracy of client requests
- Sample of bank fees
- Review of staff access and authorization

Total Hours Allocated: 200

Audit Reports Recipients: Executive Director/Chief Investment Officer, Deputy Chief Investment Officer, Chief Financial Officer, and SIB Audit Committee

INTERNAL CONTROL ASSESSMENT:

A formal internal control assessment of RIO has never been completed. The purpose of an internal control assessment is to evaluate existing internal controls and review the effectiveness. 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 periodically to ensure effectiveness and efficiency with internal controls.

Total Hours Allocated: 200

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

ADMINISTRATIVE EXPENSE AUDIT:

This is an audit on administrative expenses to check compliance with OMB policy and state purchasing requirements. There will also be a sampling of travel expenses to check compliance with policies.

Total Hours Allocated: 80

Audit Report Recipients: Executive Director/Chief Financial Officer, Chief Financial Officer, Supervisor of Administrative Services, 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. Audit 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: 1,530	
Annual Leave, Sick Leave, and Holidays	42%
Staff Meetings, Reporting, Email, and Records Retention	29%
SIB Audit Committee, SIB, and TFFR Board Meetings	20%
• Preparation and Attendance	
Annual Audit Planning	5%
Professional Development	4%

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 136 hours of annual leave per year (10-12 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: 640

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, 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 boards. The Supervisor of Audit Services attends (whenever possible) all SIB Audit Committee, SIB, and TFFR meetings. The staff auditor attends SIB Audit Committee meetings.

Total Hours Allocated: 300

ANNUAL AUDIT PLANNING:

Audit Services completes audit planning activities on an annual basis. The agency risk assessment will be reviewed and adjusted depending on how risks have changed. The audit plan will be risk-based. 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 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.

Total Hours Allocated: 60

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES DIVISION
BUDGETED HOURS FOR THE FISCAL YEAR JULY 1, 2019 TO JUNE 30, 2020

	2019 -2020 BUDGET HOURS (2 FTE'S)
Primary Audit Responsibilities - Total Hours Allocated: 2,630	
Teachers' Fund for Retirement (TFFR) Employer Reviews	1,140
TFFR Employer Review Notifications	
TFFR Employer Reviews	
Annual Salary Verification Project	
Death Benefit Payment Audit	200
Teachers' Fund for Retirement (TFFR) File Maintenance Audits	100
Teachers' Fund for Retirement (TFFR) Refund and Purchases Audit	100
Pension System Upgrade Assistance	100
Internal Control Assessment	200
Cash Management and Rebalancing Audit	200
Quarterly Portfolio Monitoring Testing	200
Executive Limitations	250
Executive Limitations Audit	
SIB Customer Satisfaction Survey	
ED/CIO Effectiveness Survey	
SIB Executive Review Committee Survey (If Requested)	
Board Self-Evaluation (If Requested)	
Administrative Expenses Audit	80
External Auditor Assistance	60
GASB 68 Census Data Audit Notifications	
	2,630
% of Available Hours Allocated to Primary Audit Responsibilities	63%
Primary Administrative Responsibilities - Total Hours Allocated: 1,530	
Annual Leave, Sick Leave, and Holidays	640
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	60
	1,530
% of Available Hours Allocated to Primary Administrative Responsibilities	37%
Total 2019-2020 Budget Hours	4,160
Total Budget Hours for 2019 - 2020	4,160
Budget Hours for D. Thorsen	2,080
Budget Hours for S. Sauter	2,080

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Audit Services

DATE: May 23, 2019

SUBJECT: 2019 - 2020 SIB Audit Committee Meeting Schedule

Included is the proposed schedule for the 2019-2020 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 2019 must be approved prior to November 22, 2019.
- The Executive Limitation Audit Report for CY 2019 must be approved prior to February 28, 2020.
- The RIO Financial Audit Scope and Approach for FY 2019 and the GASB 68 Schedules Audit Report must be approved prior to May 22, 2020.

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 25, 2019 – TFFR @ 1:00 PM
July 26, 2019 – SIB @ 8:30 AM

August

August 23, 2019 – SIB @ 8:30 AM

September

September 26, 2019 – SIB Audit Committee @ 10:00 AM

September 26, 2019 – TFFR @ 1:00 PM
September 27, 2019 – SIB @ 8:30 AM

October

October 24, 2019 – TFFR @ 1:00 PM
October 25, 2019 – SIB @ 8:30 AM

November

November 13, 2019 – SIB Audit Committee @ 3:00 PM
November 22, 2019 – SIB @ 8:30 AM

January

January 23, 2020 – TFFR @ 1:00 PM
January 24, 2020 – SIB @ 8:30 AM

February

February 27, 2020 – SIB Audit Committee @ 3:00 PM
February 28, 2020 – SIB @ 8:30 AM

March

March 26, 2020 – TFFR @ 1:00 PM
March 27, 2020 – SIB @ 8:30 AM

April

April 23, 2020 – TFFR @ 1:00 PM
April 24, 2020 – SIB @ 8:30 AM

May

May 21, 2020 – SIB Audit Committee @ 3:00 PM
May 22, 2020 – SIB @ 8:30 AM

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Audit Services

DATE: May 23, 2019

SUBJECT: 2019 - 2020 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 with strong either strong financial, risk, and/or auditing experience. Membership on the Committee will be for a term of one year or termination of term on the SIB. There is no limit to the number of terms that can be served on the Committee.

Each July, as a new fiscal year gets underway, the SIB is required to review and approve appointments to the SIB Audit Committee. As current members of the SIB Audit Committee your service is greatly appreciated.

Please notify the Supervisor of Audit Services, Sara Sauter, by Thursday May 30, 2019 if you are willing to continue to serve on the SIB Audit Committee through the end of the next fiscal year (July 1, 2019 to June 30, 2020). 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 2019

TFFR Retired Member Employment Critical Shortage Exception

The Education Standards and Practices Board (ESPB) declared all content areas as critical shortage for the 2019-2020 school year. ESPB declared no administrator areas as critical shortage.

Employer Contribution Rates for 2019-2020

TFFR contribution rates will remain the same for the upcoming 2019-20 school year.

Member Contribution	11.75%
Employer Contribution	12.75%

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.

Business Manager Workshops

The ND Teachers Fund for Retirement (TFFR) will be a presenter at the Business Manager Regional Workshops again this year!

The four locations and dates are:

Larimore	May 6, 2019
Williston	May 7, 2019
Dickinson	May 8, 2019
Valley City	May 9, 2019

We will be discussing TFFR reporting requirements, the employer payment plan models, reportable and unreportable salary, and other important information. Please let us know if there are any topics you would like us to touch on during our presentation.

We look forward to seeing and visiting with you!



Fiscal Year-End Reminders Checklist

- ♦ **All member records including reemployed 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 also 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 July 31.
- ♦ 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.

Vested Interest Newsletter

Please take a few minutes to read the March 2019 edition of the [Your Vested Interest Newsletter](#).

GASB Statement 68 Update

The audited fiscal year [2018 GASB 68 information](#) including the Employer Allocations and Pension Amounts by Employer Schedules, GASB 68 Disclosure Template, and Sample Journal Entries are now available on our website. Employers and auditors can use this information to complete your 2019 financials.



TFFR Retirement Education Workshops

TFFR's 2019 statewide Retirement Education Workshops have been scheduled. All teachers are invited to register for this workshop that covers TFFR benefits, estate planning, financial planning, and retiree health insurance options.

Bismarck July 24, 2019
Grand Forks July 31, 2019

Your help in marketing these seminars is always appreciated. To register, TFFR members should select the location above and complete the online registration or 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 July 31. If you have any questions on the TFFR models, please contact the administrative office.

New Business Manager Training Workshop

We are offering New Business Manager Training Workshops at our office in Bismarck. They are informal, informational sessions designed for new Business Managers. We keep the groups small to allow for individual attention. If you are a new Business Manager and would like to attend, please contact Tami at tdvolkert@nd.gov.

