

**ND STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING**

Thursday May 21, 2020 – 3:00 PM
Retirement and Investment Office
3442 E Century Ave, Bismarck, ND 58507

Virtual Meeting 701.328.7950, Participant Code: 696855

AGENDA

1. Call to Order and Approval of Agenda – Chair (committee action) (5 minutes)
2. Approval of February 27, 2020 Minutes – Chair (committee action) (5 minutes)
3. Presentation of July 1, 2019 to June 30, 2020 Fiscal Year Financial Audit Scope and Approach and Final GASB 68 Schedule Audit Report – CliftonLarsonAllen (to follow) (committee action) (30 minutes)
4. 2020 – 2021 Third Quarter Audit Activities Report – Sara Sauter (committee action) (30 minutes)
5. Retiree Benefit Fraud Incident – Sara Sauter (information) (10 minutes)
6. 2020 - 2021 Audit Services Workplan and Budgeted Hours– Sara Sauter (committee action) (30 minutes)
7. Update on Internal Audit Activities – Sara Sauter (committee action) (15 minutes)
8. 2020 - 2021 SIB Audit Committee Meeting Schedule – Sara Sauter (committee action) (5 minutes)
9. 2020 - 2021 SIB Audit Committee Membership – Sara Sauter (information) (5 minutes)
10. Other – Next SIB Audit Committee Meeting

****PENDING APPROVAL****

Retirement and Investment Office
Thursday August 13, 2020 – 2:30 PM
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 27, 2020, MEETING**

COMMITTEE MEMBERS PRESENT: Yvonne Smith, PERS Board, Chair
Rob Lech, TFFR Board, Vice Chair (remotely)
Julie Dahle, External Representative
Jon Griffin, External Representative

COMMITTEE MEMBER ABSENT: Jodi Smith, Commissioner of Dept. of Trust Lands

STAFF PRESENT:
Bonnie Heit, Admin Svs Suprv
David Hunter, Exec Dir/CIO
Fay Kopp, Dep ED/CRO
Sara Sauter, Suprv of Internal Audit
Shelly Schumacher, Retirement Program Manager
Dottie Thorsen, Internal Auditor
Denise Weeks, Retirement Programs Specialist

CALL TO ORDER:

Ms. Smith called the State Investment Board (SIB) Audit Committee meeting to order at 3:02 p.m. on Thursday, February 27, 2020, at the Retirement and Investment Office (RIO), 3442 E Century Ave., Bismarck, ND.

AGENDA:

The agenda was considered for the February 27, 2020, meeting.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE FEBRUARY 27, 2020, MEETING AS DISTRIBUTED.

**AYES: DR. LECH, MS. DAHLE, MR. GRIFFIN, AND MS. SMITH
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER SMITH**

MINUTES:

IT WAS MOVED BY MS. DAHLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE NOVEMBER 13, 2019, MINUTES AS DISTRIBUTED.

**AYES: MR. GRIFFIN, DR. LECH, MS. DAHLE, AND MS. SMITH
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER SMITH**

AGENCY UPDATE:

Mr. Hunter provided an agency update. Ms. Fay Kopp, Deputy Executive Director/Chief Retirement Officer, and Ms. Shelly Schumacher, Retirement Program Manager, will be retiring on March 31, 2020, and February 29, 2020, respectively.

On January 9, 2020, the Deputy Executive Director/Chief Retirement Officer position was posted and closed on January 30, 2020. A top finalist was identified and as of February 24, 2020, staff and Human Resource Management Services (HRMS) are in the process of extending an offer.

On January 10, 2020, the Retirement Program Manager was internally posted. The opportunity was extended to Ms. Denise Weeks, Retirement Programs Specialist, effective March 1, 2020. The Retirement Programs Specialist position will be posted in the near future.

RIO received budget approval to add one investment position during the last legislative session. Mr. Matt Posch started as the Investment Division's Investment/Compliance Officer on February 3, 2020.

The Investment Accountant position was reposted as the previous hire was unable to successfully complete the probationary period. Effective March 2, 2020, Ms. Ann Griffin accepted the position.

INTERNAL AUDIT ACTIVITIES REPORT:

Ms. Sauter reported on internal audit activities for the period of October 1, 2019 - December 30, 2019.

Audit Activities Completed on Behalf of the SIB - The Executive Limitations Audit for calendar year 2019 was underway with a completion date scheduled for February 2020. The audit is a review of the Executive Director/CIO's compliance with the SIB Governance Manual Executive Limitation Policies A-1 through A-11.

Audit Activities Completed on Behalf of TFFR - Three Employer Audits were completed as of September 30, 2019, and one was in progress.

The Salary Verification Audit was in progress. Internal Audit verifies retirement salaries and contributions reported to TFFR for the prior fiscal year for 65 randomly selected member accounts from 60 different employers.

Ms. Thorsen reviewed the TFFR File Maintenance Audit which was in progress and will be completed in February 2020. Changes made to TFFR member account data by staff are reviewed. Internal Audit reviews CPAS generated audit tables to ensure transactions initiated are expected and appropriate. Member accounts are reviewed to ensure contact and demographic information has been updated per the Member Action Form submitted. Change of address and the posting of beneficiary deaths that are not in pay status are also reviewed.

Discussion took place on death notifications and the process the office is using to find deaths in-state and out-of-state. Retirement Services currently does a manual search of obituaries in North Dakota newspapers, also utilizes ND's Division of Vital Records, and on a quarterly basis Life Status 360.

The Benefit Payment Audit was in progress and will be completed in February 2020. Internal Audit reviews deaths, long outstanding checks, and long term annuitants to determine if established policies and procedures are being followed.

Internal Audit has been working with RIO's Information Technology staff as well as with the ND Information Technology Dept. to develop data analytics to assist in streamlining the employer salary, service hours, and eligibility review process.

Audit Activities Completed on Behalf of RIO - Assistance was provided to CliftonLarsonAnderson (CLA) during the GASB 68 Census Data Audits. Internal Audit reconciled GASB 68 census testing data. The work concluded in October 2020.

The Administrative Expense Audit was completed in January 2020. Internal Audit reviewed RIO's policies pertaining to travel and office expenses and compared those to the Office of Management and Budget (OMB) policies and state purchasing requirements.

Administrative Activities - The Internal Audit Division attended SIB, TFFR, and office internal meetings.

Internal Audit continues to provide education to RIO staff on the Internal Audit Program.

Ms. Sauter attended the Association of Public Pension Fund Auditors Professional Development conference in October 2020.

Ms. Sauter is also pursuing a Master's in Business Administration with a concentration in Public Administration.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE PERIOD OF OCTOBER 1, 2019 - DECEMBER 31, 2019.

AYES: MS. DAHLE, DR. LECH, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH

Executive Limitations Audit - Ms. Sauter reviewed the Executive Limitations Audit that was completed for the period of January 1, 2019 through December 31, 2019. There were no issues or concerns. The Audit Committee received the supporting documentation for the audit on February 25, 2020.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS AUDIT REPORT FOR THE PERIOD OF JANUARY 1, 2019 - DECEMBER 31, 2019.

AYES: MR. GRIFFIN, MS. DAHLE, DR. LECH, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH

Current Internal Audit Activities - Ms. Sauter reviewed current Internal Audit activities.

Audit Activities on Behalf of the SIB - The Executive Review Committee (ERC) is working with Internal Audit on administering the SIB self-assessment. Once that is completed, the ERC will be addressing the review of the Executive Director/CIO which normally Internal Audit assists with.

Internal Audit will be including an Investment Confirmation Audit in their July 1, 2020 - June 30, 2021 work plan. A sample of investments will be selected and a confirmation letter will be sent to the SIB investment managers and the SIB's custodial bank, The Northern Trust. This will confirm investment balances exist and that the investments are reported accurately.

Audit Activities on Behalf of RIO - Internal Audit will be working on their work plan for the July 1, 2020 - June 30, 2021 period. The agency risk assessment will also be reviewed and updated.

Job Descriptions of Internal Audit staff will also be reviewed and updated where needed.

Audit Activities on Behalf of TFFR - The Employer Audit for Minot is in the planning/notification phase.

The Benefit Payment Audit is in the fieldwork phase.

Internal Audit is in the process of writing the final report for the File Maintenance Audit.

Internal Audit has been task tracking Retirement Services, Administrative Services, and Information Systems on retirement program activities to assist in documenting processes. The information will also be useful to Internal Audit in their audits and also implementation of the new pension software.

Discussion followed on obtaining a software, besides Data Analytics, specifically for Internal Audit to utilize to assist in analyzing data. Mr. Hunter stated the costs could be incorporated into the next budget planning cycle.

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT'S CURRENT INTERNAL AUDIT ACTIVITIES.

AYES: DR. LECH, MS. DAHLE, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH

GASB 68 Schedules - The GASB 68 Census Data Audit report was issued by CLA last December 2019. CLA will present the results at the Audit Committee's May 21, 2020, meeting. The report was included in the Audit Committee's materials.

OTHER:

The next Audit Committee meeting is scheduled for Thursday, May 21, 2020, 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 4:31 p.m.

Respectfully Submitted:

Ms. Yvonne Smith, Chair
SIB Audit Committee

Bonnie Heit
Recorder

2020 Audit Kick-off Presentation to:

North Dakota Retirement and Investment Office – Audit Committee

May 21, 2020

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Engagement Scope

- Audit of the RIO's financial statements as June 30, 2020
- Audit of TFFR's GASB 68 schedules as of June 30, 2020
- 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	TBD
Understanding and Testing of Internal Controls	TBD
Census Data Testing	July - September 2020
Substantive Procedures	August - September 2020
Final Audit Reports	Early November 2020



2019 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
Internal Audit
2019-2020 3rd Quarter Audit Activities Report
January 1, 2020 – March 31, 2020

The audit objective of Internal Audit 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, 2019 through June 30, 2020 work plan approved by the SIB Audit Committee. The audit activities undertaken are consistent with the Internal Audit 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.

Investment and Agency Audit Activities

• **Executive Limitation Audit**

On an annual basis, Internal Audit reviews the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation Policies A- 1 through A-11. The Executive Limitations Audit was started in December 2019.

The audit was issued February 27, 2020.

• **Executive Review Committee**

In February 2019, the Executive Review Committee requested Internal Audits assistance in administering a board self-evaluation. Internal Audit administered the evaluation, collected the responses, and reported to the State Investment Board on March 27, 2020.

The Executive Review Committee also annually evaluates the Executive Director/CIO of the North Dakota Retirement and Investment Office, Mr. David Hunter. Internal Audit's assistance 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 2020 and the SIB survey was administered in March/April 2020. Internal Audit compiled the results and reported to the Executive Review Committee.

• **Administrative Expense Audit**

A review of RIO's policies pertaining to travel and expenses which will be compared to OMB policy and state purchasing requirements. A sample of travel vouchers from both board members and staff will be reviewed, including in-state, out-of-state, and international travel to ensure compliance with policy and regulations. A sample of invoices (ex. rent, cleaning, etc.) will also be selected. These invoices will be reviewed to ensure proper approvals were obtained, verify invoice with expense voucher, review contract, and review that payment was issued and cleared.

The audit report was issued January 30, 2020.

• **Cash Management and Rebalancing Audit**

A review of procedures for cash management and rebalancing of investment allocations. A sample of rebalancing of asset allocations, wire transactions, and bank fees will be selected and confirmed. Also, a sample of client requests will also be reviewed for timeliness and accuracy. Lastly, a review of staff access and authorization will be reviewed and confirmed.

This audit was started in March 2020; however, do to COVID-19 it was temporarily put on hold. Since then the SIB has hired Parametric to help with rebalancing the portfolio. Due to the changes internal audit staff is working with fiscal management staff to understand the changes and re-scope the audit.

This audit is currently in progress.

- **Internal Control Assessment**

The internal control assessment was started in March 2020; however, do to COVID-19 it was temporarily put on hold. Also, discussions with management staff, it was decided to first complete the Internal Control Guidelines put forth by the ND Office of Management and Budget.

This assessment is currently in progress.

Retirement Program Audit Activities

- **TFFR Employer Salary Reviews**

Internal Audit examines employer reporting to the Teachers' Fund for Retirement (TFFR) to determine whether retirement salaries and contributions reported for members of TFFR for accuracy with the definition of salary as it appears in the TFFR Employer Guide. 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 to Retirement Services.

Status of TFFR Employer Audits as of September 30, 2019:

- Three (3) employer audits had been completed.
- One (1) employer audit was in progress.

- **Salary Verification Audit**

On an annual basis Internal Audit verifies retirement salaries and contributions reported to TFFR for the prior fiscal year for 65 randomly selected member accounts from 60 different employers. The sample has been selected, notifications for information have been requested and information has been returned by the employers. The reconciliation of salaries is scheduled to start during the third quarter.

This audit is currently in progress.

- **File Maintenance**

A review of changes made to TFFR member account data by Retirement and Investment Office employees is reviewed on an annual basis. Internal Audit reviews system generated (CPAS) audit tables to ensure transactions initiated by staff are expected and appropriate given an individual's role within the organization. Member accounts are also reviewed to ensure contact and demographic information has been updated correctly per Member Action Forms on file. Other procedures reviewed are change of addresses and the posting of beneficiary deaths that are not in pay status.

This report was issued January 31, 2020.

- **Benefit Payment Audit**

A review of deaths, long outstanding checks, and long term annuitants was completed to determine that established policies and procedures were being followed by the staff of Retirement Services.

This audit was issued April 20, 2020.

- **Task List Project**

Internal Audit is working with Retirement Services, Administrative Services, and Information Systems Services on tracking retirement program activities. Due to retirements and different activities happening, Internal Audit has been spending more time with this project. The tracking of tasks will go through June 30, 2020. This will give a full year of activities.

- **Data Analytics**

Internal Audit and RIO's Information Technology Division has been working with North Dakota Information Technology Department (NDIT) to develop data analytics to help streamline the TFFR Employer Salary, Service Hours, Eligibility Review process. Internal Audit is currently working through the first employer audit comparing the employer master payroll file comparison with the ESPB database.

Administrative Activities

The Supervisor of Internal Audit attended the monthly RIO staff meetings, monthly RIO manager's meetings, divisional meetings, three SIB meetings, and one TFFR meeting. The Internal Audit staff member attended the monthly RIO staff meetings, divisional meetings, one TFFR meeting. Internal Audit staff also continues to educate RIO staff on internal audit as needed.

Professional Development/CE/General Education

The Supervisor Internal Audit is pursuing a Master's in Business Administration and a Master's in Public Administration and completed the following courses: Managerial Accounting, Managerial Finance, and Executive Economic Analysis. In February 2020 completed all course work for her Master's in Public Administration.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES DIVISION
FISCAL YEAR 2019 -2020**

	FY 2019 1st QTR	FY 2019 2nd QTR	FY 2020 3rd QTR	FY 2020 4th QTR	FY 2020 TOTAL
Audit Activities					
Retirement Program Audits:					
TFFR Employer Audit Program					453
<i>New England-working with census data file</i>	42				42.25
<i>Warwick Public School District</i>	5				5.25
<i>Wilton</i>	76				76.25
<i>Jamestown Public Schools</i>	67	38			104.8
<i>Minot</i>		3	76.50		79.75
<i>General Employer Audits</i>					
<i>Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications</i>	92	43	9		144.25
Benefits Audit - Deaths, Long-Outstanding Checks, Long-term Members	1	147	144.25		292
TFFR Data Analytics -Minot	1	3	3		7
TFFR File Maintenance Audit	37	80	86.00		203
TFFR Purchase-Refund Audit	0				0
TFFR Task reports	56	26	51.50		133
Annual Salary Verification Project	30	48	1		79
Audit Continuous Improvement Project - Employer Audit Program - Census Data Audit File	0				0
Agency Administrative and Investment Audits:					
Executive Limitations Audit	10	26	109.50		145
Investment Due Diligence	48				48
Administrative Expense Audit		68	38.50		106
Cash Management and Rebalancing Audit			5		5
Special Project - Board Self-Assessment			20		20
Consulting	11	22	10		43
RIO External Auditor Assistance	41	5			46
Administrative Activities					
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	170	200	186.75		557
Audit Committee/SIB/TFFR Attendance and Preparation	162	114	132.75		409
Professional Development/CE/General Education	2	30	3		35
Annual Leave, Sick Leave, and Holidays	190	187	163.25		541
Quarterly Total:	1040	1040	1040	0	3120

Total Hours for 2019-2020 4,160

D. Thorsen Total Hours 2019-2020 2,080

S. Sauter Total Hours 2019-2020 2,080

BENEFIT PAYMENT AUDIT

AUDIT FOR FISCAL YEAR 2018/19

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Benefit Payment Audit

Consist of the following:

Audit of Deaths

Audit of Long-Outstanding Checks

Audit of Long-term Annuitants

Audit Scope/Purpose for Deaths

Two separate sets of procedures that pertain to the processing of annuitant/member deaths:

- The first set of procedures detail how the staff of Retirement Services (RS) determines if an annuitant/member has died.
- The second set of procedures detail how an annuitant/member's account is closed following the receipt of a death notification. The purpose is to ensure that the 2018/19 of TFFR annuitants/members were processed in a timely manner and that overpayment of benefits did not occur. If benefits were overpaid in error, overpaid amounts were recovered.

Determining if an Annuitant/ Member has died

- Family members, employers, banks, funeral homes, attorneys
- Manual Obituary Searches of state newspapers
- Monthly CPAS database comparison to the North Dakota Vital Statistics database of deceased individuals
- Quarterly CPAS database comparison to the LifeStatus 360 national database –
January, April, July, and October

Recommendation for Procedure I

The Vital Statistic and LifeStatus 360 comparisons are important automated tools to identify deaths or other inconsistencies that exist in the CPAS database that could result in an overpayment of benefits. **Both searches are identifying the deaths on CPAS. In the coming fiscal year, IA recommends that RS's consider investigating the expanded use of LifeStatus 360 for searches on a daily or weekly basis and discontinue the manual searches of state newspapers.**

Discontinuing the manual searches will **free-up staff time which can be utilized for other time sensitive tasks.** There will still be time associated with investigating the deaths located by the automated searches.

IA would be happy to research the different plans available and the cost associated to determine if the change would be cost effective.

Retirement Services Response

Retirement Services agrees ND Vital Records and LifeStatus-360 comparisons are important tools in identifying deaths. Finding deaths in a timely manner is one of the most time-sensitive tasks that needs to be done to ensure no payments are being made to deceased members. By having a staff member do a daily online search of obituaries in North Dakota state newspapers, TFFR rarely pays benefits to deceased members. Daily obituary lookups are needed to provide death information to TFFR in a timely manner. This can be done manually by TFFR staff or possibly automatically by a data compliance organization.

Retirement Services will explore various options for daily or weekly searches from reliable sources such as LifeStatus 360, ND Vital Records, or other death audit services. Retirement Services will also be mindful of the time it takes Information Services Division (IDS) to upload files as well as the time spent to investigate the information.

Closing the Annuitant/Member Account after notice of death

For each Sample Member:

- Death noted on CPAS
- No overpayment of benefits
- Refund of account value to beneficiary
- Survivor/continuing annuitant set-up
- Appropriate documents on FileNet account

Findings for Procedure 2

Finding 1: Required documents to process the death were not scanned to annuitant FileNet account.

IA Recommendation: Memorandum in FileNet and recover missing documents

RS's Response: Retirement Services has added a memo to the retiree's account explaining the situation and included a full obituary. We will continue to request the necessary documents from the beneficiary of ND Vital Records, if necessary. Retirement Services understands that proper documentation is important and has reviewed and updated processing procedures.

Findings for Procedure 2

Finding 2: Missing documents in annuitant and survivor accounts – copy of death certificate and copy of survivor's birth certificate

IA Recommendation: Request missing documents from annuitant

RS's Response: RS's has added a memorandum to the surviving beneficiary's account explain the situation. We have requested the documentation from the deceased member's spouse who has power of attorney for the beneficiary since we were unable to communicate with the beneficiary. RS's has updated processing procedures and will request additional documentation from the ND Vital Records.

Finding 3: Death posted on CPAS database is not the same as the death certificate

IA Recommendation: Correct date of death on death on CPAS

RS's Response: Date of death was corrected-isolated occurrence.

Audit Scope/Purpose for Long-Outstanding Checks

The purpose of the audit is to evaluate the procedures for investigating long-outstanding checks and determine that staff are following established procedures. The following sources were used:

- Retirement Services/Fiscal Services/IT procedures
- June 2019 reconciled Bank Statement
- FileNet Accounts of members that had outstanding checks
- Member check register in CPAS
- Employer Services Coordinator for outstanding employer checks

Audit Procedures for Sample

Sample: six checks from the 7/1/2019 reconciled BND statement and six checks from June 2019 file

- Were checks outstanding longer than 60 days
- Letter sent if check is outstanding over 60 days
- If the check is lost, member/employer returns an affidavit
- All documents are found on employer/member's FileNet account
- Reissued check has cleared

Findings for Audit of Outstanding Checks

- Finding 4: Letters were not sent to two members who had checks outstanding for four months. The checks cleared at four months.

No IA Recommendation

- Finding 5: Documents for a reissued check were not scanned to the Employer's FileNet account.

IA Recommendation: Scan all documents to the FileNet account once the check has been reissued.

RS Response: Although all documentation was scanned to the employer file, in the future Retirement Services will be more timely and documents will be scanned when the check is reissued.

Audit Scope/Purpose for Long-Term Annuitants

The purpose of the audit is to review retiree accounts that have been in payment status over an unusually long period of time to determine the propriety of payment. The following sources will be used:

- CPAS, Annuitant FileNet account, Microfiche
- Retirement Services Quarterly Over 90 Monitoring reports for 2018/19
- IA generated Over 90 report dated on or around July 1st.

Audit Procedures for Long-Term Annuitants

1) Sample – 5 out-of-state annuitants from the 90 and Over Report:

- Verified retirement documents on microfiche/FileNet
- Reviewed more recent correspondence on FileNet – Beneficiary forms. Direct Deposit Authorization, Tax Withholding Form, and Power of Attorney

2) Reviewed quarterly 90 and Over Report reviews by Retirement Services – manual obituary searches for out-of-state annuitants

3) Reviewed LifeStatus 360 reports – compared databases on a quarterly basis

Findings and Recommendation for Long - Term Annuitants

Finding 6: The routing number on the Direct Deposit Authorization form is different from CPAS.

IA Recommendation: RS should verify bank routing number.

RS Response: RS's has verified the bank routing number with Wells Fargo Bank. This documentation was scanned to the Member's Account.

Finding 7: The beneficiary SSN is not listed on CPAS

IA Recommendation: Add the Beneficiary SSN listed on form in microfiche to CPAS.

RS Response: RS's added the beneficiary's SSN to the member's CPAS account and has added the Beneficiary Form to FileNet; the SSN is not needed since there will be no payment paid to the beneficiary.

Recommendation for Long Term Annuitants

IA Recommendation to Procedure: If the LifeStatus 360 searches are increased, RS could discontinue the manual obituary searches for the long-term annuitants that live out-of-state. In 2018/19, the price per search was \$250.00. The price per search decreased to \$200.00 starting August 1, 2019. Again, IA would be happy to research the different plans available and the cost associated to determine if the change would be cost effective.

RS Response: Retirement Services will explore various options such as daily obituary look-ups from LifeStatus 360, ND Vital Records, or other death audit service during the fiscal year 2020-21.

Results Summary

To Close:

Deaths – Findings 1-3 and 1 procedural recommendation – pages 1 through 4

Long Outstanding Checks – Findings 4-5 – pages 4 through 5

Long Term Annuitants - Findings 6-7 and 1 procedural recommendation on pages 5 through 6

Closing and Questions

In summary, IA commends the work of Retirement Services staff as they adjusted to the challenges with new staff and new procedures. The audit confirmed that Retirement Services staff are following the newly established procedures in processing deaths, long outstanding checks, and monitoring long term annuitants.

Questions?

**Internal Audit – North Dakota Retirement and Investment Office
Benefit Audit for Processing the Accounts of Deceased Members,
Long-Outstanding Checks, and Long-Term Annuitants
Final Audit Report
April 20, 2020**

Background

The Internal Audit Division of the Retirement and Investment Office (RIO) conducts an audit on a biennial basis to verify that the staff of Retirement Services is adhering to established procedures for processing deaths of annuitants/members and checks outstanding sixty days or longer. The audit also verifies that established procedures related to the monitoring of long-term annuitants in payment status are being followed. This review is conducted per the request of the State Investment Board (SIB) Audit Committee, the Executive Director/CIO, and the Deputy Executive Director/Chief Retirement Officer.

Results Summary

Internal Audit (IA) found three findings (1-3) and had one procedural recommendation in the audit of Deaths-pages 1-4. In the audit of Long-Outstanding checks, there were two findings (4-5) noted on pages 4 and 5. In the audit of Long-term annuitants, there were two findings (6-7) and a procedural recommendation found on pages 5 and 6 of this report. Retirement Services should notify IA in writing with their responses to the findings and recommendations found within thirty days from the receipt of this report.

Scope

Information needed to complete the audit was requested on Mar, April and June of 2019. Audit work started October 2019 and concluded on February 26, 2020. Audit work for each of the three processes reviewed encompassed three phases:

- Phase I – Review and Document Changes to Established Procedures
- Phase II – Sample Selection and Testing of Established Procedures
- Phase III – Findings and Recommendations

Observations, Conclusions and Recommendations

Processing the Deaths of Annuitants and Members:

Starting May 1, 2019 of the 2018/19 fiscal year, there was increased risk associated with processing deaths due to Retirement Services staff turnover. The Retirement Program Specialist (RPS) that processed annuitant/member deaths retired and a new RPS was hired. The Retirement Program Manager (RPM) also changed the procedures processing the deaths. Instead of one RPS processing the deaths, the responsibility was divided among three staff members (the Membership Specialist and two RPS). There were 220 deaths processed in fiscal year 2018/19.

There are two separate procedures that pertain to the processing of annuitant/member deaths. The first set of procedures detail how the staff of Retirement Services (RS) determines if an annuitant/member has died. The second set of procedures detail how an annuitant/member's account is closed following the receipt of a death notification. IA confirmed that the staff of RS adhered to the established procedures for determining if an annuitant/member has died. IA also confirmed that the staff of RS adhered to established procedures for closing a deceased annuitant/member's account upon notification of death.

Procedure I for Deaths: Determining if an Annuitant/Member has died

The death of a member can be communicated to TFFR by family members, employers, banks, funeral homes, attorneys, and obituaries which appear in newspapers (manual searches). North Dakota Vital Statistic reports which

are run monthly and LifeStatus 360 reports which are run quarterly are also referenced. These reports compare the CPAS database to the North Dakota Vital Statistics and LifeStatus 360 databases of deceased individuals.

The Membership Specialist (MS) manually searches obituaries and reviews the LifeStatus 360 and ND Vital Statistic comparisons of the CPAS Database.

Per task reports reviewed from July 2019 through January 2020, the MS approximately spends one hour a day manually reviewing obituaries using website searches. Internal Audit estimated the time spent on these searches for the year was as follows: 52 weeks less 4 weeks of vacation – 2 weeks of sick leave = 46 weeks * 5 hours = 230 hours spent searching obituaries.

TFFR also compares the CPAS database to the North Dakota Vital Statistics database of deceased individuals every month. During the fiscal year under audit, these **Vital Statistic reports** identified 207 North Dakota annuitant/member deaths. In all but one occurrence, **TFFR had already identified the deaths**. There is no cost affiliated to TFFR with the monthly database comparisons. In 2018/19, eighty-four percent of benefits are paid to North Dakota residents.

The **LifeStatus 360** reports quarterly compare the CPAS database to a **national database** of deceased individuals. The four quarterly reports identified five deaths in the CPAS database comparison for fiscal year 2018/19. One death had already been identified but not yet closed. The other four deaths had not been previously identified (two out-of-state and two ND). During fiscal year 2018/19, the cost per quarterly search was \$250.00. Starting in August 2019, the cost per search had decreased to \$200.00.

Recommendation for Manual Obituary Searches:

The Vital Statistic and LifeStatus 360 comparisons are important automated tools to identify deaths or other inconsistencies that exist in the CPAS database that could result in an overpayment of benefits. **Both searches are identifying the deaths on CPAS. In the coming fiscal year, IA recommends that RS's consider investigating the expanded use of LifeStatus 360 for searches on a daily or weekly basis and discontinue the manual searches of state newspapers.** Discontinuing the manual searches will **free-up staff time which can be utilized for other time sensitive tasks.** There will still be time associated with investigating the deaths located by the automated searches. IA would be happy to research the different plans available and the cost associated to determine if the change would be cost effective.

Retirement Services' Response:

Retirement Services agrees ND Vital Records and LifeStatus-360 comparisons are important tools in identifying deaths. Finding deaths in a timely manner is one of the most time-sensitive tasks that needs to be done to ensure no payments are being made to deceased members. By having a staff member do a daily online search of obituaries in North Dakota state newspapers, TFFR rarely pays benefits to deceased members. Daily obituary lookups are needed to provide death information to TFFR in a timely manner. This can be done manually by TFFR staff or possibly automatically by a data compliance organization.

Retirement Services will explore various options for daily or weekly searches from reliable sources such as LifeStatus 360, ND Vital Records, or other death audit services. Retirement Services will also be mindful of the time it takes Information Services Division (IDS) to upload files as well as the time spent to investigate the information.

Procedure II for Deaths: Detail on how an annuitant's account is closed following the receipt of a death notification.

Once TFFR has been notified of an annuitant/member's death, the annuitant/member's account must be closed and any additional benefits owed or benefits overpaid processed accordingly. Starting May 1, 2019, both Retirement Program Specialist (RPS) monitor the deaths in their assigned section of the alphabet.

Due to the increased risk, IA reviewed 61 accounts: 23 of the accounts were the last accounts closed by the retiring RPS (were documents closed /scanned), 8 were accounts closed from May 1st to June 30th under new staff, and 30 subsequent deaths processed by the RS's staff under the new procedures. The accounts reviewed were either closed or in the process of being closed. IA determined that there were three issues that occurred with the transition accounts. All other accounts had been handled appropriately per procedures in place at the time of the review.

Finding 1:

IA found that one of the deaths processed in April of 2019 by the retiring RPS had none of the required documents found on FileNet. The RPS had forwarded the file to the MS to enter information from documents collected and code documents for scanning. The death was a Joint Survivor option that popped up to a single option when the designated beneficiary died.

RS had found this error for two other deaths and changed their procedures. Now, there is a direct handoff of the document folder from the MS to Administrative Services (instead of placing the file in the scanning basket which was located in the supply room). Administrative Services then scans the documents to annuitant's/members FileNet account.

Recommendation:

It is recommended that RS's should draft a memorandum stating the error that occurred and scan it to the affected account. RS's should also continue to request copies of the documents that have not been recovered.

Retirement Services' Response:

Retirement Services has added a memo to the retiree's account explaining the situation and included a full obituary. We will continue to request the necessary documents from the beneficiary or ND Vital Records, if necessary. Retirement Services understands that proper documentation is important and has reviewed and updated processing procedures.

Finding 2:

An active teacher died. Her beneficiary was set-up for payment status. There is not a copy of the member's death certificate and survivor/beneficiary's birth certificate found on FileNet.

Recommendation:

It is recommended that RS should get copies of the documents and have them scanned to FileNet.

Retirement Services' Response:

Retirement Services has added a memorandum to the surviving beneficiary's account explaining the situation. We have requested the documentation from the deceased member's spouse who has power of attorney for the beneficiary since we are unable to communicate with the beneficiary. Retirement Services has reviewed and updated processing procedures and will request additional documentation from ND Vital Records if necessary.

Finding 3:

An annuitant died and his continuing annuitant was set-up for payment status. The date of the death on CPAS is not the same as the date of death on the Death Certificate.

Recommendation:

It is recommended that RS's should correct the date of death on CPAS.

Retirement Services' Response:

Retirement Services has corrected the date of death on the retiree's account to match the death certificate. This was an isolated occurrence and will remind staff to closely look at the documents.

To conclude, due to staff turnover in 2018/19, the procedures for processing deaths was updated and decentralized for cross training purposes. Each RPS processes all types of TFFR procedures. The audit confirmed that RS's staff are following the newly established procedures and monitoring the deaths in their section of the alphabet.

IA commends the work of RS's staff as they adjusted to the challenges with new staff and new procedures.

Processing of Checks Outstanding Sixty Days or Longer:

These procedures also changed after the retirement of a staff member. Instead of the one Retirement Program Specialist (RPS) monitoring the outstanding checks, both RPS monitor the checks in their assigned section of the alphabet. The procedures that have been established by RS's are to ensure members cash pension payments and refund checks in a timely manner. Those same procedures require that staff follow-up with members as needed and monitor checks outstanding longer than sixty days.

IA reviewed a sample of twelve checks. The sample was from the outstanding check list from the BND dated 7/1/2019 and the checks issued in June of 2019. The twelve checks were comprised of three benefit checks, three continuing annuitant set-up checks, and six refund checks (one employer and 5 members). IA confirmed RS's staff was adhering to the established procedures for the processing of checks outstanding sixty days or longer with the following issues.

To note, two refund checks were outstanding sixty days or longer, the checks were issued in 2016 to two in-active members whose age was seventy and one and a half years. RIO was required to issue these payments to remain in compliance with IRS regulations, these instances represent the first time TFFR has been compelled to issue payments due to a member's age. Procedures were subsequently developed to address this unique circumstance. Retirement Services staff adhered to newly developed procedures, but has been unable to contact the members and facilitate the cashing of the outstanding checks. The two individuals are added to the quarterly LifeStatus 360 death comparisons. IA determined that there were two other issues with checks outstanding.

Finding 4:

There were two refund checks outstanding for 4 months. Reminder letters were not sent to the members after 60 days to cash their checks. Both RPS were adjusting to the new duties and procedures. The checks were cashed by the beneficiaries.

Recommendation: None

Finding 5:

There was an employer refund check that was lost by the employer and had to be reissued. Procedures were

followed except for scanning the documents to FileNet.

Recommendation:

It is recommended that the Affidavit document and attached explanation should be scanned when the check is reissued. It is important to scan the documents, so that other staff members can access them if needed and insure the documents do not get misplaced or lost.

Retirement Services' Response:

Although all documentation was scanned to the employer file, in the future Retirement Services will be more timely and documents will be scanned when the check is reissued.

To conclude, due to staff turnover in 2018/19, the RPM decentralized the job duties (one individual does not handle the monitoring of long-outstanding checks). Each RPS processes all types of TFFR procedures. The audit confirmed that RS's staff are following the newly established procedures and monitoring the checks in their section of the alphabet.

IA commends the work of RS's staff as they adjusted to the challenges with new staff and new procedures.

Monitoring Long-Term Annuitants in Pay Status:

The staff of RS's reviews the accounts of annuitants ninety years of age and older who reside out-of-state on a quarterly basis to ensure that the annuitant is not deceased. Quarterly reviews require manual obituary searches on Legacy.com. Elderly, out-of-state annuitants can present a risk to TFFR. Death notifications for these members can be delayed. A delayed notification can lead to overpayment of benefits.

IA determined that the staff of RS adhered to established procedures for monitoring long-term annuitants.

IA selected five annuitant accounts for further review. Original eligibility for retirement benefits was verified. Retirement documents could be found on microfiche and/or FileNet. Only two of the five annuitants had recent documents of contact on their FileNet account. However, RS corresponds annually, every January, with the annuitants by sending statements at the beginning of the calendar year. The statement lists benefit payment, deduction changes, and beneficiary on file. This annual statement gives the annuitant an opportunity to review information on file and notify TFFR with changes. The statement is not scanned to FileNet; it is stored in PDF form on the annuitant account in CPAS.

For IA's review of the five sample members, IA determined that all accounts had been handled appropriately except for the following issues. All five sample members were eligible for retirement benefits and recent activity has occurred between the annuitant or the annuitant's representative and TFFR.

Finding 6:

For one annuitant, the routing number found on FileNet is different from the routing number found on CPAS.

Recommendation:

It is recommended that RS should verify the Bank Routing Number.

Retirement Services' Response:

Retirement Services has verified the bank routing number with Wells Fargo Bank. This documentation is scanned to the member's account.

Finding 7:

For one annuitant, the SSN for beneficiary was not listed on CPAS.

Recommendation:

It is recommended that the Beneficiary SSN found on the Beneficiary Form found in microfiche could be entered into CPAS.

Retirement Services' Response:

Retirement Services added the beneficiary's social security number to the member's CPAS account and has added the Beneficiary form to FileNet; however, the beneficiary's social security number is not needed since there will be no payment paid to the beneficiary.

IA also confirmed that out-of-state long-term annuitants were reviewed on a quarterly basis by the MS. The quarterly searches were instituted in past years because the LifeStatus 360 comparisons were conducted only in April and October. Currently, the LifeStatus 360 comparisons to national database of deceased individuals are run in July, October, January, and April. The four searches averaged 83 out-of-state annuitants. The out-of-state annuitants were located in AK, AL, AR, AZ, CA, FL, IA, LA, MI, MN, MT, OR, SD, TX, UT, VA, WA, WI, and WY.

Recommendation on manual obituary searches:

IA recommends that RS could discontinue the manual obituary searches for the long-term annuitants that live out-of-state; especially if the LifeStatus 360 searches are increased in number in the future. In 2018/19, the price per search was \$250.00. The price per search decreased to \$200.00 starting August 1, 2019. Again, IA would be happy to research the different plans available and the cost associated to determine if the change would be cost effective.

Retirement Services' Response:

Retirement Services will explore various options such as daily obituary look-ups from LifeStatus 360, ND Vital Records, or other death audit service during the fiscal year 2020-21.

The discontinuation of the searches will allow for other time sensitive tasks to be completed by RS staff. Examples of other time sensitive tasks are as follows: July through September- start processing Member Action Forms, retirements, annual active member statements, and Benefit Recalculations of Presumptive Retirements; October through December – processing Member Action Forms, Dual Members, and inactive refund project; Jan-Mar – start of retirement season, data demographic checks for 1099s and retirement letters; April through June – retirement season and end of year activities with database for actuarial evaluation

In summary for the Benefit Payment Audit, IA commends the work of RS's staff as they adjusted to the challenges with new staff and new procedures. The audit confirmed that RS's staff are following the newly established procedures in processing deaths, long-outstanding checks, and monitoring long-term annuitants.

Distribution:

David Hunter, Executive Director/CIO
Fay Kopp, Deputy Executive Director/Chief Retirement Officer
Denise Weeks, Retirement Program Manager
SIB Audit Committee
TFFR Board

FROM: Dottie Thorsen, Internal Audit
TO: Information Systems Division
DATE: May 3, 2020
SUBJECT: 2018/19 Audit of Deaths

IA completed the Benefit Payment Audit of Deaths, Long-outstanding Checks, and Long-Term Annuitants. The Audit report was sent RS who responded on April 29, 2020. The Audit report with RS's response is attached to this email. The Death Audit information is found on pages 1-4 of the report. The review of deaths was divided into two sets of procedures. The first set of procedures detail how the staff of Retirement Services (RS) determines if an annuitant/member has died. The second set of procedures detail how an annuitant/member's account is closed following the receipt of a death notification.

On page 2 of the Report, IA made a recommendation on the first set of procedures. RS's response is shaded in gray. The second paragraph in RS response noted issues of concern with IA's recommendation. We will be addressing our recommendation and the concerns raised by RS at AC Meeting on May 21, 2020.

Please respond to the following issues raised by RS by May 11, 2020.

- 1) I have attached the RIO history of using a consultant for death comparisons. We have used the LifeStatus 360 (formerly Smallworld) since 2011/12. Does ISD have concerns on the reliability of the LifeStatus database and the quality of the searches? Has ISD completed any due diligence on the consultant?

Our department does not have any concerns on the reliability or quality of the services provided by LifeStatus 360. LifeStatus 360 has provided no reason to question the quality of service that they have provided. For the time period of 1/1/2019 to 12/31/2019, LifeStatus 360 found 7 individuals with a date of death. When we researched these individuals in CPAS, it was found that all of them had a date of death in the system. The reason for the discrepancy is that in the past when a file was submitted to LifeStatus 360, it would take one to two days to process the file. In the time that it took LifeStatus 360 to process the file, our RS staff would find that the individual was deceased and then a date was entered into CPAS. The only way to investigate how reliable LifeStatus 360 is with searches is to either find another death audit service and run both services parallel or add deceased participants to our quarterly file to see if LifeStatus 360 finds a 'hit' on those individuals. As a side note, LifeStatus 360 now processes our death files the same day they are submitted. Our department is not involved in the contract negotiations with RS and LifeStatus 360. Our department is mainly used in an 'operations' role. We obtain the data from CPAS, then format the data so it can be read by the LifeStatus 360 system and then pass the results to RS.

- 2) Does ISD have any reservations about the security measures instituted by LifeStatus 360 and the safety of the information on our database?

Our department does not have any concerns with the security or safety of our information. To log into the LifeStatus 360 platform, a user has to be granted access by LifeStatus 360. This process requires the individual to know a few things about our account (such as account number). Our department is able to see every user in our organization that has access to the system and what level of data they can see. When the file is uploaded to LifeStatus 360, the file is uploaded directly to the server only after a user logs in with the proper credentials.

- 3) Please explain the process for sending the CPAS database to LifeStatus and the amount of time spent for the process.

For the quarterly file that is submitted to LifeStatus 360, our department will run a batch job in CPAS. That batch job will create a text file with the participant's personal information (SS Number, Name, City, State, Zip and date of birth). All the individuals in this file are participants receiving a pension or a beneficiary of someone that is receiving a pension. This file, the way it is generated, cannot be sent to

LifeStatus 360 until it is formatted in a way that the system recognizes. The text file needs to be exported in Excel and the text fields need to be formatted in a certain way (line breaks need to be created between fields and some texts need to be designated as a number or a text field). Once in Excel, columns and column headings need to be added. There are some fields that need to be reordered and formatted (Zip Code). Once the changes are made the file is saved back into a text file and then uploaded in LifeStatus 360. This whole process from start to finish is about 30 minutes.

Thank you for your help!

Polling Question: Death Search Results

Fund #	Detail	Total Members	Efficient	Cost
1	Our system monitors our two major local newspapers daily (we're a small state!), we receive a data file of death certificates processed by our State monthly, and run our data against death records through Berwyn quarterly.	80,000	Yes	
2	We submit weekly files to PBI and the Department of Public Health for death match searches.	430,000	Yes	
3	Uploads to LifeStatus 360 monthly and reviews the work weekly. We work with a local vendor that sends us obituaries in state and local newspapers. We find that the information from LifeStatus 360 gets to us the fastest and is the most reliable. We had LifeStatus 360 and PBI but found that they were giving me the same information. We have had really good success with LifeStatus 360 but we have some limitations because we pay retirement benefits at the beginning of the month.	262,000	Yes	Annual LifeStatus 360 Subscription \$5,030
4	Here is the process for where we actively try and identify deaths not reported to us by family members, employer agencies, etc.: <ul style="list-style-type: none"> - Weekly match with LexisNexis and Department of Health and Hospitals - Daily alerts from legacy.com - Quarterly obituary match with the Berwyn Group - Annual non-obituary death match with Berwyn Group 	88,800	Yes	
5	We uses PBI weekly and provide our active membership data, and it is compared to PBI data system. A report is provided for us to process the deaths every Friday. The report includes where PBI IS getting the information regarding the death such as (SS or OBIT). This information helps the Survivor Specialist know if they need to do additional research including requesting a death certificate.	57,000	Yes	
6	1) Weekly data files loaded to RIMS (now VNAV) from our third party death notification vendor, Life Status 360, OR 2) Telephone contact either our call center, or third party group life insurance administrator.	723,000	Yes	

7	<p>We uses CLEAR, a service from Thomson Reuters. Our IT sends a member listing to CLEAR monthly for the vendor to do a search (via SSA, news and other possible sources) and sends us a listing of death notices. I heard our Member Services team is not satisfied with the service, the information does not seem to be complete or timely in all instances. To receive the service, IT did have to obtain an independent certification to ensure we are in compliance with the Common Criteria and Confidentiality controls as defined in the Trust Services Principles and Criteria. We need to send a written attestation statement Limited Access Death Master File (LADMF) Accredited Conformity Assessment Body Systems Safeguards Attestation Form, Form Number: NTIS FM100A to Thomson.</p> <p>We also receive a death notice from the surviving member (~75% of the notices).</p>	46,000	No	
8	Berwyn and State Health Services, receives death search report quarterly from Berwyn and monthly from State Health Services	1.6 million		
9	<p>We do several different forms of Death Searches:</p> <ul style="list-style-type: none"> • The Internal Audit Department performs a biannual search of every person in our database (i.e. Member, Spouse, Beneficiary). We use a third party vendor (Berwyn) to compare our person records with their national database. Any positive hits we further investigate, using Vital Statistics, Lexis Nexis, obituaries, or reach to the family of the person • On a monthly basis we also perform a search of every payee that is going to receive a check on our monthly payroll. We perform this search using Berwyn again, and do it 3-4 days before our annuity checks are to hit the bank accounts. If we get a hit through this search, we can then remove this payees check from the payroll file. • We do numerous other individual or specific group searches throughout the year as needed. 	26,500		
10	<p>Rely on survivors/estate to notify of a retired member death. We have relief associations that administer health benefits for retirees and they send notifications too.</p> <p>They get weekly reports from LifeStatus 360 and it's used as a backup. They also have access to LexisNexis Accurant search for as-needed search.</p> <p>Lastly, they conduct an Alive and Well audit on pensioners/beneficiaries over 95 every 5 years or so.</p>	26,500	Yes	LifeStatus for Quarterly Yearly Cost \$2,600

11	<p>1) On a daily basis each admin services member looks at obits in the newspapers to look for members that pass away. They usually just look for key words that would indicate they were a state employee.</p> <p>2) On a quarterly basis we do a death match with the Dept of Health.</p> <p>3) On a semi-annual basis we do a similar process with Social Security, however, with them we can only do the members that we are paying and it's not our entire database.</p>	50,000		
12	We staff member who does daily manual searches, Vital Records is done monthly, and LifeStatus 360 is done quarterly.	22,800		LifeStatus \$800 Yearly Cost
13	Berwyn and State Health Services, receives death search report monthly for Berwyn and semi-monthly for State Health Services.	162,000		
14	Pension Benefit Information (PBI), receives reports weekly and use both their death and obituary match services	75,000		
15	Our agency performs a daily, manual search of the local (state capital) newspaper, weekly searches of insurers' death reports (we are pension and employee health benefits), and a monthly search using a vendor. Our state vital records department inputs death reports weekly into our statewide payroll system.	382,000		
16	Weekly matches with PBI that gives us death matches and obituary matches we need to look up to see if it is our member. We also do monthly vital records search.	210,000		

FROM: Dottie Thorsen, Internal Audit

DATE: May 1, 2020

SUBJECT: History of Consultants used for Death Comparisons

1994/95	Comserv (timeframe not noted)	ND Vital Statistics	
1995/96	Comserv	ND Vital Statistics	
1996/97	Comserv	ND Vital Statistics	
1997/98	Comserv	ND Vital Statistics	
1998/99	Comserv - annually	ND Vital Statistics - monthly	
1999/2000	Comserv - annually	ND Vital Statistics - monthly	
2000/2001	Comserv - annually	ND Vital Statistics - monthly	
2001/2002	Comserv - annually	ND Vital Statistics - monthly	
2002/2003	Comserv - annually	ND Vital Statistics - monthly	
2003/2004	Comserv - annually	ND Vital Statistics - monthly	
2004/2005	Comserv - annually	ND Vital Statistics - monthly	
2005/2006	Comserv - annually	ND Vital Statistics - monthly	
2006/2007	Comserv - annually	ND Vital Statistics - monthly	
2007/2008	Berwyn - annually	ND Vital Statistics- monthly	
2008/2009	Berwyn - annually	ND Vital Statistics - monthly	
2009/2010	Berwyn - semi - annually	ND Vital Statistics - monthly	
2010/2011	Berwyn - semi - annually	ND Vital Statistics - monthly	
2011/2012	Small World Solutions - semi - annually	ND Vital Statistics - monthly	
2012/2013	Small World Solutions - semi - annually	ND Vital Statistics - monthly	
2013/2014	Small World Solutions - semi - annually	ND Vital Statistics - monthly	
2014/2015	Smallworld Solutions - semi - annually	ND Vital Statistics - monthly	
2015/2016	LifeStatus 360 - semi-annually (formerly Smallworld)	ND Vital Statistics - monthly	
2016/2017	LifeStatus 360 - quarterly	ND Vital Statistics - monthly	
2017/2018	LifeStatus 360 - quarterly	ND Vital Statistics - monthly	non-audit year
2018/2019	LifeStatus 360 - quarterly	ND Vital Statistics - monthly	

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: May 21, 2020

SUBJECT: Retired Benefit Payment Fraud

The Internal Audit and Administrative Services Supervisor are working together on the annual risk management reporting requirements.

Due to an update in TFFR forms, Administrative Services notified Internal Audit at the end of February that there was a fraud issue with a retiree benefit payment. Retirement Services had received and processed an Address Change Form and a Direct Deposit Form that were fraudulent. Retirement Services was notified in the middle of January that the retired member had not received their January payment. Upon further discussion within Retirement Services staff, it was discovered these documents filed with TFFR were fraudulent. A risk management report was filed in March 2020 for the retiree to be reimbursed the lost benefit payment. Internal Audit was made aware of the fraud when a Risk Management report was filed and processed by Administrative Services in April of 2020. Risk Management informed RIO in April 2020, the member signed the form, repayment had been issued which closed the claim.

Internal Audit reached out to Retirement Services in April to get all the documentation pertaining to this issue. Internal Audit has been working with the Retirement Services Program Manager, Denise Weeks, on reviewing processes. Internal Audit has also discussed with Ms. Weeks about doing fraud training with staff. Internal Audit has also been reviewing direct deposit change forms as they are being received also. Attached is the memo about the fraud incident that went to the TFFR Board in April 2020.



MEMORANDUM

TO: TFFR Board
FROM: Fay Kopp
DATE: April 16, 2020
SUBJ: Retiree Benefit Payment Incident

I wanted to make the TFFR Board aware of an incident that recently occurred with a TFFR retiree benefit payment and how it was resolved.

In late January 2020, we were notified by a TFFR retiree that her January TFFR benefit payment was not deposited into her bank account. Through discussions with the retiree and examination of documents previously submitted to TFFR, we determined that someone fraudulently submitted an address change form, and a few weeks later, fraudulently submitted a direct deposit change form which was processed by TFFR following standard procedures. The retiree informed us that she had not moved and had not changed her bank account. Whoever submitted the forms obtained the retiree's SSN outside of TFFR, fraudulently used the information on TFFR forms, and forged the retiree's signature. This resulted in the retiree not receiving her January benefit payment. TFFR contacted the Bank where the payment was deposited to request a return of the funds, but were informed that no funds were available.

After review of the issue with TFFR legal counsel, we suggested that the retiree file a police report, and she did so. After further review of the situation and additional discussion with Legal, TFFR submitted an incident report to the State Risk Management Fund and the retiree submitted a claim. Risk Management approved the claim, the retiree signed the settlement agreement, and Risk Management is reimbursing the retiree for the January TFFR benefit payment.

We have had a number of positive discussions with the retiree over the past few months and she is very thankful for the extra steps taken by TFFR and the State Risk Management Fund to reimburse her.

Retirement Services also undertook a thorough review of address and direct deposit change processing procedures and contacted other state public pension plans. We have added additional procedures in an effort to reduce the likelihood of something like this occurring in the future and to notify members of certain changes made to their account so TFFR can stop payment, or catch potentially fraudulent activities, sooner.

BOARD INFORMATION AND DISCUSSION

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: May 21, 2020

SUBJECT: 2020 - 2021 Internal Audit Workplan

The following information details the proposed workplan for Internal Audit for 2020 - 2021. This workplan represents what Internal Audit 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. Internal Audit will allocate resources to the following audit activities during fiscal year 2021:

Primary Audit Responsibilities - Total Hours Allocated: 2,575	Hours
Teachers' Fund for Retirement (TFFR) Salary Reviews	700
TFFR Salary Reviews, Notifications, & Verification Project	
TFFR Cost Effective Benefit Payment Audit	300
TFFR File Maintenance Audits	200
TFFR Refund and Purchases Audit	150
TFFR QDRO Review	100
TFFR Task List Project	100
Pension System Upgrade Assistance	100
Internal Control Assessment	100
Cash Management and Rebalancing Audit	100
Investment Confirmation Audit	100
Portfolio Monitoring Procedures - <i>Consulting</i>	40
Administrative Manual Updating - <i>Consulting</i>	60
Vendor Due Diligence Review	150
Executive Limitations	200
Executive Limitations Audit	
SIB Customer Satisfaction Survey	
ED/CIO Effectiveness Survey	
SIB Executive Review Committee	
Fraud Training - <i>Consulting</i>	40
General Consulting	55
External Auditor Assistance	80
GASB 68 Census Data Audit Notifications	

TEACHERS' FUND FOR RETIREMENT (TFFR) SALARY REVIEWS:

The primary purpose of employer salary 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 Salary 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 2020-2021 audit plan includes performing TFFR Salary 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 2 salary reviews are scheduled for the 2020-2021.

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 Internal Audit, have been notified of an upcoming audit by Internal Audit, have been audited by Internal Audit 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: 700

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, Internal Audit 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. Samples for address changes and posting deaths on the Demographic page is also tested.

Total Hours Allocated: 200

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, Internal Audit 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: 150

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 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, Internal Audit also verifies the accuracy of benefit payments via the recalculation of benefit payments for the sampling of member accounts.

Total Hours Allocated: 300

Audit Report Recipients: Executive Director, Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, 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.

TFFR TASK LIST PROJECT:

Internal Audit will continue working with Retirement Services, Administrative Services, and Information Systems Services on tracking retirement program activities and task. In 2019/20, IA focused on documenting retirement program processes and procedures and preparing for staff retirements.

Internal Audit will focus more on the individual tasks completed by each staff member in 2020/21. Focusing on individual tasks will be beneficial to RIO as we move forward in selecting a new pension software or updating present software. The new software will assist RIO staff to better provide services to our members and employers. As more RIO staff continues to retire, the task list will aid management in reorganizing duties that make Retirement Services more efficient and effective for current and future operations.

Total Hours Allocated: 100

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

QDRO REVIEW:

A qualified domestic relation order (QDRO), is a judicial order in the United States, entered as part of a property division in a divorce or legal separation that splits a retirement plan or pension plan by recognizing joint marital ownership interests in the plan. A QDRO will instruct the plan administrator on how to pay the non-employee spouse's share of the plan benefits. Internal Audit has never reviewed the QDRO process. Internal Audit will work with Retirement Services on reviewing and documenting the process.

Total Hours Allocated: 100

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

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, Internal Audit 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, Internal Audit facilitates a customer satisfaction survey which is administered to SIB investment clients. At the request of the SIB Executive Review Committee, Internal Audit 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: 200

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

INVESTMENT CONFIRMATION AUDIT:

A sample of investments will be selected and a confirmation letter will be sent to the investment manager and custodial bank. This will confirm investment balances exist and that the investments are being reported accurately.

Total Hours Allocated: 100

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

CASH MANAGEMENT AND REBALANCING AUDIT:

Internal Audit 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: 100

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. Internal audit is working on an internal control guideline assessment put forth by North Dakota Office of Management and Budget. This is an overall assessment on processes for state agencies. This will be completed first, and then reviewed to see where further review is needed.

Total Hours Allocated: 100

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

VENDOR DUE DILIGENCE:

Vendor due diligence is essential, not only to decrease threats to business operations and financial stability but also to reduce compliance risk and reputation risk. Vendor due diligence is just not a onetime event and should be going on continuously. Vendor due diligence will be reviewed on the third parties that RIO utilizes.

Total Hours Allocated: 150

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

EXTERNAL AUDITOR ASSISTANCE:

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

Total Hours Allocated: 80

CONSULTING:

PENSION SYSTEM UPGRADE ASSISTANCE:

TFFR was approved for a pension system upgrade to be started in the next biennial. Internal Audit 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. Internal Audit'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. Internal Audit also went to training on project management for internal auditors to help with the upgrade process.

Total Hours Allocated: 100

FRAUD TRAINING:

Internal Audit will be developing fraud training and do training with Retirement Services and Administration Services.

Total Hours Allocated: 40

PORTFOLIO MONITORING PROCEDURES:

RIO staff has been working with Blackrock to implement a comprehensive risk management system using Blackrock's Aladdin system. This includes a module designed to monitor investment portfolios to ensure they remain investment guidelines. This will give investment staff the opportunity to independently monitor investment guidelines and not be reliant on investment managers to notify if they are outside of investment guidelines. RIO investment staff has added additional staff and is will be working on designing procedures to regularly monitor investment portfolios. 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. Audit staff will help review procedures and provide feedback during the process.

Total Hours Allocated: 40

ADMINISTRATIVE MANUAL UPDATING:

RIO is in the process of updating its administrative manual. Internal audit will work with the Supervisor of Administrative Services on reviewing existing policies, recommending additional policies, and ensuring compliance with administrative polices.

Total Hours Allocated: 60

GENERAL CONSULTING:

Internal audit has been embraced by many of the division within RIO and asked for consulting on various topics throughout the year. Being able to be consulted on a project, policy, or issue can be essential in helping advise in various areas.

Total Hours Allocated: 55

Internal Audit will allocate resources to the following administrative activities during fiscal year 2021:

Primary Administrative Responsibilities - Total Hours Allocated: 1,585	Hours
Annual Leave, Sick Leave, and Holidays	695
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

ANNUAL LEAVE, SICK LEAVE, AND HOLIDAYS:

The staff auditor earns 192 hours of annual leave per year (16 hours per month). The Supervisor of Internal Audit earns 144 hours of annual leave per year (12 hours per month). The current workplan makes an allowance for each staff member to utilize 100 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: 695

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. Internal Audit 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 Internal Audit 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 Internal Audit provides quarterly updates to both of these boards. The Supervisor of Internal Audit attends (whenever possible) all SIB Audit Committee, SIB, and TFFR meetings. The staff auditor attends SIB Audit Committee meetings and TFFR Board meetings.

Total Hours Allocated: 300

ANNUAL AUDIT PLANNING:

Internal Audit 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 Internal Audit 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**

	2020 -2021 BUDGET HOURS (2 FTE'S)
Primary Audit Responsibilities - Total Hours Allocated: 2,575	
Teachers' Fund for Retirement (TFFR) Salary Reviews	700
TFFR Salary Review Notifications	
TFFR Salary Reviews	
Annual Salary Verification Project	
TFFR Cost Effective Benefit Payment Audit	300
TFFR File Maintenance Audits	200
TFFR Refund and Purchases Audit	150
TFFR QDRO Review	100
TFFR Task List Project	100
Pension System Upgrade Assistance	100
Internal Control Assessment	100
Cash Management and Rebalancing Audit	100
Investment Confirmation Audit	100
Portfolio Monitoring Procedures - <i>Consulting</i>	40
Administrative Manual Updating - <i>Consulting</i>	60
Vendor Due Diligence Review	150
Executive Limitations	200
Executive Limitations Audit	
SIB Customer Satisfaction Survey	
ED/CIO Effectiveness Survey	
SIB Executive Review Committee Survey (If Requested)	
Board Self-Evaluation (If Requested)	
Fraud Training - <i>Consulting</i>	40
General Consulting	55
External Auditor Assistance	80
GASB 68 Census Data Audit Notifications	
	2,575
% of Available Hours Allocated to Primary Audit Responsibilities	62%
Primary Administrative Responsibilities - Total Hours Allocated: 1,585	
Annual Leave, Sick Leave, and Holidays	695
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
	1,585
% of Available Hours Allocated to Primary Administrative Responsibilities	38%
Total 2019-2020 Budget Hours	4,160
Total Budget Hours for 2020 - 2021	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 Internal Audit

DATE: May 21, 2020

SUBJECT: Update on Current Internal Audit Activities

Internal Audit typically has multiple audits going on at the same time in different stages. The following is the status of current audits in progress:

Phase 1 – Planning and Notification
 Phase 2 – Fieldwork
 Phase 3 – Communication with Staff
 Phase 4 – Writing Report
 Phase 5 – Final Report and Management Response

Internal Audit Activities In-Progress

- Minot TFFR Salary Review – Phase 2
- Benefit Payment Audit (Death, Long Outstanding Checks & Long Term Annuitants) – Phase 5
- Salary Verification Audit – Phase 2
- Internal Control Assessment – Phase 2
- Cash Management and Rebalancing Audit – Phase 1
- Investment Confirmation Audit – Phase 1

With the change from a compliance to internal audit division, the JDQ for Internal Auditor, Dottie Thorsen was updated to more accurately reflect the duties being performed. The position was also upgraded from an Auditor II to an Auditor III effective April 1, 2020. In the coming months, IA will be working on revising the JDQ for Supervisor of Internal Audit, Sara Sauter. There will be no job reclassification for that position.

Annual performance evaluations are done in May-June timeframe. Internal audit staff will be working on their performances. They are three part, first part is a self-evaluation, second manager-evaluation, and lastly overall review.

The Executive Review Committee has asked for the assistance of the Supervisor of Internal Audit to the assistance of Internal Audit with the review of the Executive Director/CIO. This has included administer surveys, collecting data, and helping put together meeting material packets.

With working COVID-19 as in most workplaces there was a shift of priorities. There were many manager's meetings about dealing with COVID-19, precautions taken and the majority of RIO staff transitioning to working remotely.

Task Tracking:

Internal Audit has been working with Retirement Services, Administrative Services, and Information Systems Services on tracking retirement program activities. We met with retiring staff and identified and

clarified all activities on the task reports received. A list of the four quarterly activities for TFFR was compiled. This information was shared with the new RPM.

IA has reviewed the lists for nine staff members starting in July 2019 and ending in April of 2020. The information was used in documenting the following processes: deaths, employer uploading of salary and contributions, issuing employer/member refund checks, address changes, and member action forms uploads.

We have been working with Administrative Services and Retirement Services Supervisors during the COVID-19 timeframe. We stressed that all documents from members had to be electronically scanned to drives or FileNet for staff members to use working out of their homes. In the future, the adjustments to processing information will be used when the re-engineering of processes occurs in the selection of the new pension software.

The information was used in the File Maintenance and Benefit Payment Audit. The information will also be very useful in the 2020 TFFR Cost Efficiency Audit.

Internal Audit upcoming activities:

Internal Audit will be providing assistance to our external audit partners CliftonLarsonAllen during the financial audit of the RIO as well as the GASB 68 census data audits. There may be more assistance provided than previous years due to the COVID-19 and CLA working completely offsite.

Internal Audit will be working with Administrative Services on the annual Risk Management Report in June. Completing the report and meeting all the criteria RIO is eligible for up to a 15% discount on risk management premiums. Throughout the summer Internal Audit and Administrative Services will be working together on the worker's compensation report to receive up to 15% discount on those premiums also.

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: May 21, 2020

SUBJECT: 2020 - 2021 SIB Audit Committee Meeting Schedule

Included is the proposed schedule for the 2020-2021 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 2020 must be approved prior to November 20, 2020.
- The Executive Limitation Audit Report for CY 2020 must be approved prior to February 26, 2021.
- The RIO Financial Audit Scope and Approach for FY 2020 and the GASB 68 Schedules Audit Report must be approved prior to May 29, 2021.

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

August

August 13, 2020 – SIB Audit Committee @ 2:30 PM
August 28, 2020 – SIB @ 8:30 AM (tentative)

September

September 24, 2020 – TFFR @ 1:00 PM
September 25, 2020 – SIB @ 8:30 AM

October

October 22, 2020 – TFFR @ 1:00 PM
October 23, 2020 – SIB @ 8:30 AM

November

November 12, 2020 – SIB Audit Committee @ 2:30 PM
November 20, 2020 – SIB @ 8:30 AM

January

January 21, 2021 – TFFR @ 1:00 PM
January 22, 2021 – SIB @ 8:30 AM

February

February 25, 2021 – SIB Audit Committee @ 2:30PM
February 26, 2021 – SIB @ 8:30 AM

March

March 25, 2021 – TFFR @ 1:00 PM
March 26, 2021 – SIB @ 8:30 AM (tentative)

April

April 22, 2021 – TFFR @ 1:00 PM
April 23, 2021 – SIB @ 8:30 AM

May

May 27, 2021 – SIB Audit Committee @ 2:30 PM
May 28, 2021 – SIB @ 8:30 AM

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: May 21, 2020

SUBJECT: 2020 - 2021 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 Internal Audit, Sara Sauter, by Thursday, May 28, 2020 if you are willing to continue to serve on the SIB Audit Committee through the end of the next fiscal year (July 1, 2020 to June 30, 2021). 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.