



ND STATE INVESTMENT BOARD AUDIT COMMITTEE MEETING

Thursday August 13, 2020 – 2:30 PM
Retirement and Investment Office
3442 E Century Ave, Bismarck, ND 58507

Teleconference: 701.328.0950 Conference ID: 170 329 189#

AGENDA

1. Call to Order and Approval of Agenda – Chair (committee action) (5 minutes)
2. Approval of May 21, 2020 Minutes – Chair (committee action) (5 minutes)
3. Election of Chair, Vice Chair, and Liaison – Chair (committee action) (5 minutes)
4. 2020 - 2021 Affirmation of Code of Conduct Policy – Matthew Posch (information) (5 minutes)
5. PAS Internal Audit Role – Sara Sauter (education) (20 minutes) (to follow)
6. Update on Current Internal Audit Activities – Sara Sauter (committee action) (30 minutes)
7. 2019 - 2020 Year End Audit Activities Report – Sara Sauter (committee action) (20 minutes)
8. 2019 - 2020 Audit Committee Report to SIB – Sara Sauter (committee action) (10 minutes)
9. Audit Charter: 2019 - 2020 Review of Responsibilities – Sara Sauter (committee action) (15 minutes)
10. Other – Next SIB Audit Committee Meeting
North Dakota Retirement and Investment Office
3442 E Century Ave, Bismarck, ND 58503
Thursday November 12, 2020 @ 2:30 PM
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
MAY 21, 2020, MEETING**

COMMITTEE MEMBERS PRESENT: Yvonne Smith, PERS Board, Chair
Rob Lech, TFFR Board, Vice Chair
Julie Dahle, External Representative
Jon Griffin, External Representative
Jodi Smith, Commissioner of Dept. of Trust Lands

STAFF PRESENT: Connie Flanagan, Chief Financial Officer
Bonnie Heit, Admin Svs Suprv
David Hunter, Exec Dir/CIO
Sara Sauter, Suprv of Internal Audit
Dottie Thorsen, Internal Auditor
Denise Weeks, Retirement Program Manager

GUESTS: Dean DePountis, Attorney General's Office
Thomas Rey, CliftonLarsonAllen
Tonia Wildasin, CliftonLarsonAllen

CALL TO ORDER:

Ms. Smith called the State Investment Board (SIB) Audit Committee virtual meeting to order at 3:10 p.m. on Thursday, May 21, 2020, at the Retirement and Investment Office (RIO), 3442 E Century Ave., Bismarck, ND.

AGENDA:

The agenda was considered for the May 21, 2020, meeting.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 21, 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 DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE FEBRUARY 27, 2020, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

INTERNAL AUDIT ACTIVITIES REPORT:

Ms. Sauter reported on internal audit activities for the period of January 1, 2020 - March 31, 2020.

Audit Activities Completed on Behalf of RIO - 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. The Administrative Expense Audit was completed January 30, 2020.

The Internal Control Assessment was started in March 2020; however, due to COVID-19 the assessment was temporarily put on hold.

Audit Activities Completed on Behalf of the SIB - The Executive Limitations Audit for calendar year 2019 was completed February 27, 2020. The audit reviews the Executive Director/CIO's compliance with the SIB Governance Manual Executive Limitation Policies A-1 through A-11.

Internal Audit assisted the Executive Review Committee (ERC) in administering the SIB's self-evaluation. Internal Audit administered the evaluation, collected the responses, and reported the results to the SIB on March 27, 2020.

Internal Audit also assisted the ERC in the annual evaluation of the Executive Director/CIO. Internal Audit facilitated a survey to the SIB and RIO staff. The survey to RIO staff was completed in March 2020 and the SIB survey was administered in March/April 2020. Both results were compiled and reported to the ERC on April 13, 2020.

The Cash Management and Rebalancing Audit will entail a review of procedures for cash management and rebalancing of investment allocations. The audit was started in March 2020; however, due to COVID-19 it was temporarily put on hold. The SIB has hired Parametric to assist with rebalancing the portfolios.

Audit Activities Completed on Behalf of Teachers' Fund for Retirement (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.

The TFFR File Maintenance Audit was issued January 31, 2020. Internal Audit reviewed 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.

Ms. Thorsen reviewed the Benefit Payment Audit which was issued April 20, 2020. Internal Audit reviews deaths, long outstanding checks, and long term annuitants to determine if established policies and procedures are being followed.

Internal Audit is also working with Retirement Services, Administrative Services, and Information Systems Services on tracking retirement program activities to assist with the implementation of the new Pension Administration System (PAS).

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. Internal Audit is in the process of working through the first employer audit comparing the employer master payroll file against the Education Standards and Practices Board's database.

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 as needed. The Supervisor of Internal Audit is pursuing a Master's in Business Administration with a concentration in Public Administration.

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE PERIOD OF JANUARY 1, 2020 - MARCH 31, 2020.

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

CLIFTONLARSONALLEN(CLA):

Mr. Rey reviewed the engagement scope, work plan, critical audit areas, and timeline of the financial statement audit of RIO for the period of July 1, 2019 - June 30, 2020.

Mr. Rey also reviewed the audit results for GASB 68 schedules (schedules of employer allocations and pension amounts by employer) for the period ending June 30, 2019. An unmodified clean opinion was issued on the statements.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE AUDIT SCOPE AND APPROACH PRESENTED BY CLA FOR THE FINANCIAL STATEMENT AUDIT OF RIO FOR THE PERIOD OF JULY 1, 2019 - JUNE 30, 2020 AS WELL AS THE GASB 68 SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER FOR THE PERIOD ENDING JUNE 30, 2019.

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

Retiree Benefit Fraud - Ms. Sauter reported on a fraud incident with a retiree benefit payment that occurred with the TFFR January 1, 2020 payroll. Retirement Services had received and processed a fraudulent Address Change Form and Direct Deposit Form. An incident report was filed with the State Risk Management Division in March 2020 along with the retiree's claim. Internal Audit was made aware of the fraud by Administrative Services in April 2020 when TFFR was informed the case was closed and the member had been reimbursed and the documentation was filed. Internal Audit has since then been reviewing Retirement Services processes and will be providing training on fraud.

WORKPLAN:

Ms. Sauter reviewed a draft of the July 1, 2020 - June 30, 2021 work plan. The work plan is based on the agency risk assessment which is reviewed and adjusted depending on changes in risk. Tentative work plan hours are allocated as follows - RIO/SIB 60% and TFFR 40%.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO APPROVE INTERNAL AUDIT'S WORK PLAN FOR THE PERIOD OF JULY 1, 2020 - JUNE 30, 2021.

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

Current Internal Audit Activities - Mr. Hunter provided an agency update. Ms. Janilyn Murtha, Deputy Executive Director/Chief Retirement Officer and Ms. Jayme Heick, Retirement Programs Specialist will begin fulfilling their positions at RIO effective June 1, 2020. Mr. Matt Posch, Investment/Compliance Officer, was hired effective February 3, 2020, Ms. Ann Griffin, Investment Accountant, was hired effective March 2, 2020, and Ms. Denise Weeks was promoted to Retirement Program Manager effective March 1, 2020.

Ms. Sauter reviewed current Internal Audit activities. The Minot Employer Audit and the Cash Management and Rebalancing Audit will be issued sometime this summer.

The Internal Auditor II position, currently held by Ms. Thorsen, was reclassified to an Auditor III, effective April 1, 2020, to more accurately reflect the duties being performed. Ms. Sauter will also be updating her Auditor IV Job Description to more accurately reflect the duties being performed. No reclassification will be submitted.

Annual performance reviews are underway. The reviews are to be completed by June 19, 2020.

The ERC requested assistance from Internal Audit on the annual review of the Executive Director/CIO to administer surveys, collect data, and submit to the ERC.

Internal Audit is also working with Retirement Services, Administrative Services, and Information Systems Services on tracking retirement program activities to assist with the implementation of the new PAS. Meetings were held with retiring staff. Activities were identified and clarified on the task reports. A list of the four quarterly activities for TFFR was compiled and shared with the new Retirement Program Manager.

Because of the COVID-19 and staff working remotely, Internal Audit stressed that all documents received from members would need to be electronically scanned to drives or FileNet in order for staff to access them. The information was used in the TFFR File Maintenance Audit and Benefit Payment Audit and will also be utilized in the 2020 Cost Efficiency Audit. Adjustments to processing information will be done when the re-engineering of processes occurs in the selection of the new PAS.

Assistance will be provided to CLA during the financial audit of RIO as well as the GASB 68 census data audits which may also require additional time due to CLA working remotely.

Internal Audit and Administrative Services will be working on the Risk Management Report and the Worker's Compensation Report to receive discounts on the annual premiums.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INTERNAL AUDIT'S CURRENT INTERNAL AUDIT ACTIVITIES REPORT.

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

NAYS: NONE

MOTION CARRIED

MEETING SCHEDULE:

A draft meeting schedule for the period of July 1, 2020 - June 30, 2021 was presented for the Audit Committee's consideration. The February 25, 2021, meeting was revised to a start time of 3:00 p.m. otherwise the Audit Committee concurred with the schedule.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE JULY 1, 2020 - JUNE 30, 2021, AUDIT COMMITTEE MEETING SCHEDULE.

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

NAYS: NONE

MOTION CARRIED

COMMITTEE MEMBERSHIP:

The Audit Committee membership will be determined by the SIB at their July 24, 2020, meeting. Membership on the Audit 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. Current Audit Committee members are to let Ms. Sauter know if they are interested in continuing to serve by May 29, 2020.

OTHER:

The next Audit Committee meeting is scheduled for Thursday, August 13, 2020, at 2:30 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 4:46 p.m.

Respectfully Submitted:

Ms. Yvonne Smith, Chair
SIB Audit Committee

Bonnie Heit
Recorder

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: August 13, 2020

SUBJECT: Affirmation of Code of Conduct Policy

At the start of each fiscal year members of the State Investment Board (SIB) are required to affirm their understanding of SIB Governance Manual Policy B-8, *Board Members' Code of Conduct*, which details the code of ethical responsibility applicable to members of the SIB. As a standing committee of the SIB, the SIB Audit Committee is required to adhere to any applicable policies contained within the SIB Governance Manual. Therefore, members of the SIB Audit Committee, who have not already done so, are also required to affirm their understanding of SIB Governance Manual Policy B-8, *Board Members' Code of Conduct*.

Matt Posch, Retirement and Investment Office (RIO) Investment/Compliance Officer, will be on hand to answer any questions the board may have and discuss the affirmation and policy included in the meeting materials.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BOARD MEMBERS' CODE OF CONDUCT

The following will be the Code of Ethical Responsibility for the SIB:

1. SIB members owe a duty to conduct themselves so as to inspire the confidence, respect, and trust of the SIB members and to strive to avoid not only professional impropriety but also the appearance of impropriety.
2. SIB members should perform the duties of their offices impartially and diligently. SIB members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and regulations and to refrain from any form of dishonest or unethical conduct. Board members should be unswayed by partisan interest, public sentiment, or fear of criticism.
3. Conflicts of interest and the appearance of impropriety shall be avoided by SIB members. Board members must not allow their family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. Board members must refrain from financial and business dealings that tend to reflect adversely on their duties. If a conflict of interest unavoidably arises, the board member shall immediately disclose the conflict to the SIB. A board member must abstain in those situations where the board member is faced with taking some official action regarding property or a contract in which the board member has a personal interest. Conflicts of interest to be avoided include, but are not limited to: receiving consideration for advice given to a person concerning any matter over which the board member has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the board, and participation in any transaction involving for which the board member has acquire information unavailable to the general public, through participation on the board.

“Conflict of Interest” means a situation in which a board member or staff member has a direct and substantial personal or financial interest in a matter with also involves the member’s fiduciary responsibility.

4. The board should not unnecessarily retain consultants. The hiring of consultants shall be based on merit, avoiding nepotism and preference based upon considerations other than merit that may occur for any reason, including prior working relationships. The compensation of such consultants shall not exceed the fair value of services rendered.
5. Board members must abide by North Dakota Century code 21-10-09, which reads: “No member, officer, agent, or employee of the state investment board shall profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this section shall be guilty of a Class A misdemeanor.”
6. Board members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities.
7. All activities and transactions performed on behalf of public pension funds must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD MEMBERS' CODE OF CONDUCT*

8. Prohibited transactions. Prohibited transactions are those involving self-dealing. Self-dealing refers to the fiduciary's use of plan assets or material, non-public information for personal gain; engaging in transactions on behalf of parties whose interests are adverse to the plan; or receiving personal consideration in connection with any planned transaction.
9. Violation of these rules may result in an official reprimand from the SIB. No reprimand may be issued until the board member or employee has had the opportunity to be heard by the board.
10. Board Members are required to affirm their understanding of this policy annually, in writing, and must disclose any conflicts of interest that may arise (See Exhibit B-I).

Policy Implemented: June 23, 1995.

Amended: January 22, 1999, February 25, 2011, January 27, 2012.

Memorandum

To: State Investment Board Audit Committee

From: Matt Posch, Investment & Compliance Officer

Date: August 13, 2020

RE: Annual Affirmation of Code of Conduct Policy

Governance Process Policy B-8, *Board Members' Code of Conduct*, which is attached to this memorandum, details the Code of Ethical Responsibility for the SIB and the SIB Audit Committee. Item #10 of this policy indicates that each Board Member is required to reaffirm their understanding of this policy annually and disclose any conflicts of interest. Therefore, please read and sign the statement below to comply with this requirement.

"I have read and understand SIB Governance Process Policy B-8 *Board Members' Code of Conduct*. I have disclosed any conflicts of interest as required by this policy."

Name (printed) _____

Signature _____

Date _____

Detail of any conflicts of interest (if any):



TFFR Pension Administration System Internal Audits Role

ND Retirement and Investment Office

New Pension System 3 Stages

- ▶ Stage 1
 - ▶ Business Process Re-engineering
- ▶ Stage 2
 - ▶ Assistance with Procurement
- ▶ Stage 3 (optional)
 - ▶ Assistance with new Pension Administration System (PAS) Implementation

Stage 1 - Business Process Re-engineering

- ▶ Launch Project
 - ▶ Outline Deliverables
- ▶ Review Existing Documentation & Processes
 - ▶ Recommend Improvements
- ▶ Create New Business Model
- ▶ Stage 1 is estimated to be 3 months

Stage 2 - Assistance with Procurement

- ▶ Plan RFP
- ▶ Develop PAS RPF
- ▶ Select PAS Vendor
- ▶ Stage 2 is estimated to be 7 months

Stage 3 - Implementation Assistance (optional)

- ▶ Plan Implementation
- ▶ Execute Plan
 - ▶ Oversee Process Improvements
 - ▶ Process Management Oversight
- ▶ Stage 3 is estimated to be 3 years

Internal Audits Role

- ▶ Help with coordination
- ▶ Help with consistency
- ▶ “Big Picture”
- ▶ Improves recourse utilization
 - ▶ Can help with communication among different divisions
- ▶ Risk Management

Assurance

- ▶ Quality Assurance Reviews
 - ▶ Milestones
 - ▶ Business readiness
- ▶ Reviewing quality of deliverables
- ▶ Post implementation audit
 - ▶ Provide opinion on quality of internal controls in place

Consulting

- ▶ Advise on the project and risk assessment methodology
- ▶ Act in an advisory capacity in a narrow sense, answering questions and expressing particular views but no direct involvement in realization.
- ▶ Raise questions to reflect.
- ▶ Be a sounding board for management

Participative Roles

- ▶ Proactively participate in a project to define alternatives, provide recommendations and solutions.
- ▶ Support in documentation of system and end user controls.
- ▶ Identification of risks associated with the introduction of a new system and provide recommendations to improve the user acceptance.

Internal Audit Does Not

- ▶ Set the project risk appetite
- ▶ Impose the project management process
- ▶ Manage risk identified
- ▶ Make managerial decisions regarding the proposed solutions
- ▶ Implement of solutions on behalf of management
- ▶ Being accountable for project deliverables or budget
- ▶ Being accountable for embedding project deliverables

Safeguards for Consulting on PAS

- ▶ Management remains responsible for project risks and determining the risk appetite
- ▶ Internal audit does not manage any of the project risks and mitigate those on behalf of the management.
- ▶ Internal auditors should provide advice and support to the management's decision making, as opposed to taking management decisions themselves or implementing solutions on behalf of management.

Any questions, concerns, or
feedback?

Thank you!

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: August 13, 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
- Salary Verification Audit – Phase 2
- Internal Control Assessment – Phase 2
- Cash Management and Rebalancing Audit – Phase 1
- Investment Confirmation Audit – Phase 1

On June 1, 2020, Jan Murtha the new Deputy Executive Director/Chief Retirement Office joined the RIO team. Internal Audit has been working with retirement services on prioritizing various issues.

Due to COVID-19 and CLA not being able to come onsite, a significant amount of time was spent in June by Internal Audit staff gathering documents and sending them to CLA. Internal Audit also participated in meetings on the year's closeout process as there is new staff this year. Notifications were sent out for GASB 68 in July. Internal Audit will also be sending out confirmations for the financial statement audit in August as soon as closeout is completed, and CLA selects the sample. CLA will not be onsite in August due to COVID-19, so Internal Audit expects to spend more time helping provide documentation than in prior years.

Annual performance evaluations were completed in June. Annual performance evaluations are three part, first part is a self-evaluation, second manager-evaluation, and lastly overall review.

The Supervisor of Internal Audit was contacted by SIB members Treasurer Kelly Schmidt and Chief Deputy Attorney General Troy Siebel to help provide information on the Executive Director/CIO position's SIB evaluation. Information was provided to multiple people, and a meeting was held to go over the process.

The Supervisor of Internal Audit will be conducting the SIB Client Survey in August 2020.

Due to COVID-19 as in most workplaces, there was a shift of priorities. Internal Audit continues to work with management on the shift in priorities and changes due to COVID-19.

Internal Audit worked with the Loss Control Committee on the annual Risk Management Report that was submitted in June 2020. RIO received the full 15% discount on risk management premiums. The Loss Control Committee is now working on the worker's compensation requirements to receive 15% discount on those premiums. This is the first year that RIO will be submitting for the worker's compensation discount. The Loss Control Committee is working on updating the Employee Policy Manual. This project is tentative to be completed the by December 2020.

The Supervisor of Internal Audit was asked to join the PAS Committee. The RPF for hiring a consultant went out in June. The first two weeks of July, the Supervisor of Internal Audit helped evaluate the proposals that were received. A consultant was selected and is currently in contract negotiations. Contract negotiations are hopefully to be done by September 2020 and will then move on to Stage 1 for the PAS project.



**RISK MANAGEMENT FUND CONTRIBUTION
DISCOUNT PROGRAM APPLICATION**
STATE OF NORTH DAKOTA
SFN 53424 (03-2019)

SUBMISSION DEADLINE JUNE 30
Report of Activity for Current Fiscal Year
(July 1 – June 30)

Agency/Institution:	% of Discount
1. Outline activities of your agency's Loss Control Committee has taken during the current fiscal year. <ul style="list-style-type: none"> · Provide a copy of all Loss Control Committee minutes or other documentation of agency review of incidents, accidents, or claims together with recommendations for any corrective actions. · Loss Control Committees must meet at least annually. 	2
2. Provide a copy of your agency's policy or written directive to staff that all incidents and accidents must be reported on-line to Risk Management within 24 hours. Provide documentation how this information is communicated to all staff annually.	1
3. Provide a copy of your agency's policy, procedure, written directive, or training records that demonstrate that all staff at least annually, and new employees at the time of hire, are provided copies/access to and are required to acknowledge they have read and understand agency policies addressing employment discrimination, including sexual and other forms of unlawful harassment, along with the process for resolving complaints, including requests for reasonable accommodations. <ul style="list-style-type: none"> · Describe and provide supporting documentation, how these requirements are communicated to all staff annually and how your agency is monitoring compliance. 	3
4. Identify the primary risks that arise from your agency operations that gives rise to potential third party liability and explain what your agency does to address those risks.	2
5. Describe in detail the steps your agency takes to ensure records retention requirements are followed in the event an incident/claim could potentially give rise to a possible claim/lawsuit. What is the process your agency follows to implement litigation/destruction hold.	2
6. Provide a copy of your agency's policy, procedure, or written directive to staff outlining/explaining DOT State Fleet's Distracted Driving Policy along with any identified emergency operations that are exceptions your agency has implemented.	2
7. Provide a copy of your agency's policy, procedure, or written directive that ensures all staff use the available State cooperative contract when renting a motor vehicle out of state and purchasing optional liability and damage waiver coverage when the cooperative contract is not available. <ul style="list-style-type: none"> · Describe and provide supporting documentation on how this information is communicated. 	3
Total Potential Discount	15%

NOTE:

- Documentation can be provided to Risk Management either electronically or by paper copy.
- Audits may be performed at the discretion of Risk Management by phone, mail, internet or on-site visit.

Signed	Date
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RMWCP PREMIUM REDUCTION PROGRAM APPLICATION

OFFICE OF MANAGEMENT AND BUDGET

RISK MANAGEMENT DIVISION

SFN 53425 (6-2016)

State agencies must submit the application within 60 days after the beginning of the premium period to participate in the Risk Management Workers Compensation Program (RMWCP) premium reduction programs. Agencies who successfully implement and maintain the selected premium reduction program(s) will receive up to a maximum of fifteen (15) percent discount for the premium year of participation.

Contact Information

State Agency	Name of RMWCP Contact	
Title	Telephone Number	Email Address
Premium Period	Policy Number	

Discount Options

Ergonomics Program <input type="checkbox"/>	Application for 3% discount
Designated Medical Provider/Return to Work Program <input type="checkbox"/>	Application for 3% discount
Incident Investigation Program <input type="checkbox"/>	Application for 3% discount
Safe Lift Program <input type="checkbox"/>	Application for 3% discount
Hazard Identification and Control Program <input type="checkbox"/>	Application for 3% discount
Slips, Trips and Falls Program <input type="checkbox"/>	Application for 3% discount

By my signature, I acknowledge and understand the outlined requirements of the program. Risk Management may audit each program annually to determine if requirements have been met. Audits may be performed at the discretion of Risk Management by telephone, mail, internet or on-site visit.

Signature	Date
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Please retain a copy for your records and mail or fax the original to:

Risk Management Workers Compensation Program
Attn: Diane Waliser
1600 East Century Ave, Suite 4
Bismarck, ND 58503-0649
Fax: 701-328-7585

MEMORANDUM

TO: SIB Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: August 13, 2020

SUBJECT: 2019-2020 Year End Audit Activities Report

Audit coverage was based on the July 1, 2019, through June 30, 2020, work plan approved by the SIB Audit Committee. The audit activities undertaken were consistent with the Internal Audit charter and goals, and the goals of the Retirement and Investment Office (RIO). To the extent possible, our audits were carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Internal Audit effort was directed towards RIO's needs and the concerns of management and the SIB Audit Committee.

AGENCY ADMINISTRATIVE AND INVESTMENT AUDITS:

- **Executive Limitation Audit**
 - **AUDIT PLAN REQUIREMENTS:** The Executive Director/CIO's compliance with the State Investment Board (SIB) Governance Manual Executive Limitation Policies A-1 through A-11 is reviewed on an annual basis. Each year the Executive Director/CIO is evaluated via a survey administered to all staff members. Internal Audit also facilitates and compiles the annual SIB Executive Review Committee survey administered to members of the SIB at the request of the SIB Executive Review Committee.
 - **2019-2020 ACTUAL ACTIVITIES:**
 - The Executive Limitation Audit was completed on February 27, 2020.
 - The Executive Director/CIO Effectiveness Survey was completed on March 30, 2020.
 - The SIB Executive Review Committee Survey was completed on April 8, 2020.
 - The SIB Client Survey was completed and reported on October 25, 2019.
- **SIB Self-Assessment Survey**
 - **PLAN REQUIREMENTS:** At the request of the State Investment Board, Internal Audit was asked to work with the Executive Review Committee on developing and administering a Board Self-Assessment Survey.
 - **2019-2020 ACTUAL ACTIVITIES:**
 - Internal Audit worked with the Executive Review Committee on administering the Board Self-Assessment Survey and reported the results to the State Investment Board on March 27, 2020.
- **Investment Due Diligence Audit**
 - **AUDIT PLAN REQUIREMENTS:** To review the ongoing investment due diligence process. A sample of investment manager's due diligence was selected and reviewed. Policies and procedures were also reviewed as part of the audit.
 - **2018-2019 ACTUAL ACTIVITIES:**
 - The Investment Due Diligence Audit was completed July 31, 2019.

- **Administrative Expense Audit**
 - **AUDIT PLAN REQUIREMENTS:** This was an audit on administrative expenses to check compliance with OMB policy and state purchasing requirements. There was also a sampling of travel expenses to check compliance with polices.
 - **2019-2020 ACTUAL ACTIVITIES:**
 - The Administrative Expense Audit was completed on January 30, 2020.
- **RIO External Auditor Assistance**
 - **AUDIT PLAN REQUIREMENTS:** Internal Audit assists our external auditor, CliftonLarsonAllen (CLA), with a variety of tasks related to the annual financial audit of RIO and the GASB 68 census data audits.
 - **2019-2020 ACTUAL ACTIVITIES:**
 - Internal Audit provided assistance to our external audit partners CLA during the 2019 financial audit of RIO as well as the GASB 68 census data audits. Due to COVID-19, CLA was unable to be onsite for the 2020 audit has resulted in more assistance from Internal Audit in providing documentation.
- **Risk Management**
 - **AUDIT PLAN REQUIREMENTS:** There was no specific risk management audits in the audit plan; however, the Audit Charter does address Risk Management and to ensure that RIO have an adequate Risk Management Program.
 - **2019-2020 ACTUAL ACTIVITIES:**
 - Internal Audit joined RIO's Loss Control Committee and participated in the meetings. The Loss Committee submitted to ND Risk Management documentation showing that RIO has appropriate policies and training for Risk Management. RIO also received a 15% discount on the Risk Management premium for having an adequate program.

RETIREMENT PROGRAM AUDITS:

- **Teachers' Fund for Retirement (TFFR) Employer Reporting Reviews**
 - **AUDIT PLAN REQUIREMENTS:** Complete 8 TFFR Employer Audits. Notify employers of an upcoming audit as needed. Number of employers to be notified is dependent on pending audit inventory. Complete audit planning for the upcoming fiscal year in the fourth quarter.
 - **2019-2020 ACTUAL ACTIVITIES:**
 - Three (3) TFFR Employer Audits were completed during fiscal year 2019-2020. The fourth audit is in progress.
- **Benefit Payments Audit**
 - **AUDIT PLAN REQUIREMENTS:** This audit was a review of deaths, long outstanding checks, and long term annuitants to determine that established policies and procedures are being followed by Retirement Services staff.
 - **2019-2020 ACTUAL ACTIVITIES:**
 - The Benefit Payment Audit was completed on April 20, 2020.

- **TFFR File Maintenance Audit**
 - **AUDIT PLAN REQUIREMENTS:** On an annual basis, Internal Audit will review system generated (CPAS) audit tables to ensure transactions initiated by staff are expected and appropriate given an individual's role within the organization. Member account information from Member Action Forms, Address Change Forms, and posting of deaths was reviewed to verify that contact and demographic information has been updated correctly.
 - **2018-2019 ACTUAL ACTIVITIES:**
 - The File Maintenance Audit was completed on January 31, 2020.
- **Annual Salary Verification Project**
 - **AUDIT PLAN REQUIREMENTS:** 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. TFFR eligibility and service hours are also verified.
 - **2019-2020 ACTUAL ACTIVITIES:**
 - The Annual Salary Verification Project is currently in progress.
- **TFFR Task List Project**
 - **AUDIT PLAN REQUIREMENTS:** This project was added after the audit plan was presented. Internal Audit worked with Retirement Services, Administrative Services, and Information Technology Services on tracking retirement program activities.
 - **2019-2020 ACTUAL ACTIVITIES:**
 - A full year of activities were recorded for Retirement Services, Administrative Services, and Information Technology Services. Work flow was documented to help find efficiencies and was used in various audits. These task lists will also be provided to the consultants for the PAS project.
- **Professional Development/CE/General Education**
 - **AUDIT PLAN REQUIREMENTS:** Internal Audit is a member of the Institute of Internal Auditors (IIA) and attends meetings along with bi-annual seminars.
 - **2019-2020 ACTUAL ACTIVITIES:**
 - Audit Staff attended the IIA's fall seminar which focused on Critical Thinking. Audit Staff also attended the IIA's spring seminar which focused on Authentic Leadership and Gaining & Sustaining Creditability. Also, attended a webinar on Ethics.
 - Internal Audit Staff also did Cybersecurity and Risk Management training.
 - Supervisor of Internal Audit attended the fall conference for Association of Public Pension Fund Auditors. Topics covered were implementation of a new pension software, future risks, data analytics, risk management, private equity expenses, risk and assurance mapping, risk assessments, and ethics.
 - The Supervisor of Internal Audit completed her Master's in Business Administration and Master's in Public Administration.

Administrative activities (non-audit related) including time reports, meeting attendance, general reporting, email, etc. were carried out in accordance with the approved audit plan in fiscal year 2019-2020.

Fiscal Year Task List Activities for 2019/2020

FROM: Dottie Thorsen, Internal Auditor

TO: SIB Audit Committee

DATE: August 7, 2020

This is a summary of the activities completed for the fiscal year 2019/20 TFFR Task List Summary review. The task lists were initially tracked for use and research in the pension software upgrade. As the year progressed, key personnel announced their retirement (Deputy Executive Director/Retirement Office and the Retirement Program Manager). The task lists were used to document their monthly activities to insure the continuity of operations after their retirement.

- IA received and reviewed the 12 monthly task lists from the two Retirement Program Managers, two Retirement Program Specialist, the Membership Specialist, the Employer Services Coordinator, the Supervisor of Information Services, the Data Processing Coordinator, the TFFR Administrative Assistant, and the Office Assistant. These task lists did not incorporate a time study. Copies of the task list were provided to the RPM upon her request in July of 2020.
- IA summarized activities by quarter: the report was provided to the new Retirement Program Manager and the new Deputy Executive Director/Retirement Officer. A copy of the report is also attached.
 1. 4th Quarter 2018/19 – April through June 2019 (compiled from File Maintenance Audit)
 2. 1st Quarter 2019/20 – July through September 2019
 3. 2nd Quarter 2019/20 – October through December 2019
 4. 3rd Quarter 2019/20 – January through March 2020
 5. 4th Quarter 2019/20 – April through June 2020.
- IA documented the following procedures
 1. Monthly Employer Upload of reports
 2. Member Address Changes
 3. Entering Member Action Forms
 4. Posting beneficiary deaths for single option accounts with no account
 5. Deaths – finding members that have died
 6. Death is established – closing the accounts
- IA Developed a Worksheet for all Retirement processes – used for a more detailed view
 1. Member calls
 2. Employer calls
 3. Meetings
 4. Documents
- Due to recent findings in the Benefit Payment Audit and the TFFR File Maintenance Audit in 2019/20, IA developed a summary and checklist for documents that should be found in a member's image account at the close of a process. IA recommends Retirement Services reviews deaths, disabilities, and retirements within a reasonable time-frame subsequent to the final action taken on the file.
- IA met with Fiscal Accounting, Retirement Services, and Information Services to determine that all key staff were on the same page and that deadlines were set to close employer accounts for fiscal year 2019/20. The employer accounting had to be completed for Fiscal Accounting to close the fiscal year-end accounting for the external audit. It was also established what date Segal requires files for the actuarial valuation.

TFFR Quarterly TFFR Activities from the Table Reports
First, Second, Third, and Fourth Quarters

Fourth Quarter Activities: April through June 2019: (These activities came from File Maintenance Audit 2018/19- not task report)

Preparing for Board Meeting

Reports:

- Briefly

Employer:

- Start to close out the employer accounting for the year-end
- Deleting ineligible accounts with no value at year-end (reported in error by the employer)
- Merging of accounts (employer reported with wrong SSN),
- Processing salary for presumptives
- Business Manager Workshops

Retirement:

- New member action forms for the current fiscal year- summer school
- Presumptive retirements
- Set-up for Retirements and Final letters
- Enrollment Forms
- Demographic checks for year-end
- Status 60 members
- Annual Disability recertification
- Disabilities
- Purchases
- Refund Set-up
- Refunds
- QDRO's
- Dual members
- PERS Insurance premium update for July 1
- Retiree who return to covered employment (RTT)
- Deaths
- LifeStatus 360 comparison of database – April
- Vital Statistic Death Comparisons – April, May, June
- Manual reviews

First Quarter Activities: July through September 2019 – Task reports

Preparing for Board Meetings

Reports:

- Actuarial reconciliation
- Monthly Tier Change reports
- Retiree List for year-end
- Demographic checks
- Annual Ends report
- No LT and hours
- Salary Reasonability
- Model Compliance
- Less than 1-year report
- Active Annual Statements
- Employer Guide updates, Handbook
- Vested Interest Newsletter
- Newsletters to Retirees
- Briefly
- Updates to Member Services Directory, Handbook
- Document Drive purge for retention

Employer:

- Finish close out the employer accounting for the year-end
- Deleting ineligible accounts with no value at year-end (reported in error by the employer)
- Merging of accounts (employer reported with wrong SSN),
- Processing salary for presumptives
- Employer Set-up for the new year
- Monthly reporting contributions – Administrators and summer salary

Retirement:

- New member action forms for the current fiscal year-sorting –some processing
- LifeStatus 360 comparison – July
- Monthly Vital Statistics comparisons – July, August, September
- Presumptive retirements
- Salary recalculations for retirees after year-end close-out of salary-letters sent
- Deaths
- Disabilities
- Status 60 members
- Purchases
- Refunds
- QDRO's,
- Dual members,
- Retiree who return to covered employment (RTT)
- Critical Shortage letters

Second Quarter Activities: October through December 2019

Preparing for Board Meeting

Reports:

- Briefly
- Vested Interest Newsletter
- Fast Facts
- Retiree Trends report
- Retiree Statements
- Viewed draft actuary report
- Retirees Annual Statistics
- Draft GASB report
- Tier Change report
- PLSO Statistics
- Retiree Value Update batch
- Retired Teacher Statistics
- Retiree List for year end
- Employer Member Statistics report
- Demographic checks
- Annual Ends report
- No LT and hours
- Model Compliance
- Salary Reasonability
- Federal Compliance Issues- 72 yrs, taxes, salary and benefit caps
- 1099 preparation
- DPI comparison file – looking at whether those reported are licensed by ESPB
- Retirement Trends
- Retirement profiles sent to employers
- Retirement Statistics

Employer:

- Set-up for the employer accounting for the new year
- Merging of accounts (employer reported with wrong SSN),
- Processing salary for presumptives
- Monthly reporting of contributions

Retirement:

- New member action forms for the current fiscal year - processing
- Presumptive retirements
- Salary recalculations after year-end close-out of salary
- Deaths
- Disabilities
- Status 60 members
- Purchases

- Refunds
- In-active Refund project
- QDRO's,
- Dual members,
- Retiree who return to covered employment (RTT)
- Critical Shortage letters
- Premium update for January – PERS
- LifeStatus comparison of database – October
- Monthly ND Vital Statistic comparisons – October, November, December
- Manual death comparisons

Third Quarter Activities: January through March 2020

Preparing for Board meeting – moved from March to April

Reports:

Briefly

Member Newsletters

Vested Interest

Employer:

- Merging of accounts (employer reported with wrong SSN),
- Processing salary for presumptives
- Monthly reporting of contributions

Retirement:

- New member action forms for the current fiscal year – secondary processing
- 1099 Mail out to retirees
- Presumptive retirements – start of the new season
- Deaths
- Disabilities
- Status 60 members
- Purchases
- Refunds
- QDRO's,
- Dual members,
- Retiree who return to covered employment
- Required Minimum Distributions by April 1
-Inactive 65 nearing 72 years of age
- LifeStatus 360 comparison – January
- Monthly ND Vital Statistic comparison – January, February, March

Fourth Quarter Activities: April through June 2020 (from Task Sheets)

Preparing for Board meeting – April and June

Reports:

- Briefly

Employer:

- Start to close out the employer accounting for the year-end
- Making corrections to employer errors
- Sending letters (employer and member) – errors can occur from employer reporting or presumptive process
- Employers -billing for shortages and refunding for overpayments of contributions
- Sent reminders for late reporting
- Review of retirement benefit after processing salary for presumptive process

Retirement:

- New member action forms for the current fiscal year- summer school
- Presumptive retirements
- Status 60 members
- Annual Disability recertification
- Disabilities
- Purchases initiating and set-ups
- Refunds – initiating and set-ups – there is a cut-off for actuary report
- QDRO's, attorney calls, training with DED
- Dual members
- PERS Insurance premium update for July 1
- Retiree who return to covered employment - 2021
- Deaths
- LifeStatus 360 comparison of database – April
- Monthly Vital Statistic Comparisons – April, May, June
- Manual comparison
- Unemployment forms – April only
- AddressNo9digitzip – report – April, May, June
- Set-up for forms received - Tax Withholding, 1099 calls, and DDA
- Duplicate name report
- Quarterly Ends report- RPM - April Unemployment forms – April only
- Training new staff member - RPS

Meetings

- Team ND meetings
- Division meeting
- Weekly CPAS calls
- Manager meetings
- Monthly Staff meeting

- Meeting with IA on deaths – RPM
- PAS RFP meeting - RPM
- Training of new staff – June – DED/CIO and RPS
- Counseling sessions – June
- Evaluations - bonus information
- Assisting with remote workers – RPM –March, April, June
- AC meeting- RPM May
- Meeting with Executive Director-RPM – Apr
- Segal meetings – RPM
- Meeting with ESPB – RPM
- Closing out with retiring DED
- Meeting with new DED
- Critical shortage with ESPB and DPI
- Meeting on reopening
- Security Risk Video
- Intro to teams training
- Segal Webinar/COVID effects - RPM
- In-FRE education credits submitted - RPM
- Conference call with Segal and DED

Note: task not listed this timeframe that occurred last year this timeframe-refer to page 1 and 2

- Deleting ineligible accounts with no value at year-end (reported in error by the employer)
- Merging of accounts (employer reported with wrong SSN)
- Demographic checks for year-end

Documents required in Retiree Accounts at the end of the Process

Retirements:

Normal, early-reduced, early-unreduced (rule of 85 or 90)

Options- Single, Joint and Survivor 100%, Joint and Survivor 50%, 10 year term certain, 20 year term certain, level income, and partial lump sum options

Deaths – Retiree dies and continuing annuitant is set-up, active teacher dies and survivor is set-up for payment when eligible, pop-ups – original beneficiary dies and retiree benefit pops-up to a single option

Retirement Process: Documents that should be in Member/retiree file at process end

- Teaching contract – Salary Verification – Code 121
- Letter of Resignation – Code 122
- Resignation Acceptance/nonrenewal – Code 123
- Salary Verification Form – pending retiree – Code 126
- Member Proof of Age – Code 011
- Beneficiary Proof of Age (if applicable) – Code 021
- Retirement Enrollment Letter – Code 234
- Retirement Application – Code 240
(Includes – Application, Staff checklist, Beneficiary Form, Tax-withholding, DDA)
- Retirement Enrollment Form – Code 235
- Retirement Final Letter - 236
- Verification of Account (includes presumptive calculation)– Code 130

Additional documents for Level Income Option:

- Social Security Benefit Estimate – Code 125

Additional documents for Partial Lump Sum Option:

- Application for Partial Lump Sum Distribution – Code 238
- Direct Rollover request – Code 155
- Other miscellaneous documents with qualified institution who will receive the roll-over funds for the retiree – Code 198

Recalculation of the Benefit – due 90% presumptive – occurs Sept/Oct after year-end close out

- Correct/Adjust Benefit Letter – Code 325

Deaths:

Retiree that died: Documents that should be in Retiree's file at process end

- Death Certificate (An obituary copy is not acceptable as legal notification) – Code 040
- Deceased Retiree Benefit letter – Code 351

Continuing Annuitant (beneficiary) Set-up after retiree death – options 1, 2, 10 and 20 years term certain

- Tax Withholding – Code 310
- Beneficiary Form – Code 020
- Direct Deposit – Code 311

Active Member died and Survivor account set-up

Deceased active member:

- Certification of Employment – Code 099
- Death Notification - Code 350
- Survivor Benefit Letter – Code 281
- Death Certificate for active member (obituary copy is not a legal substitute) – Code 040
- Beneficiary Form – Code 020
- Beneficiary proof of age (if applicable) – Code 021

Survivor set-up for Beneficiary of a deceased active member

- Member Proof of age – Code 011
- Survivor Enrollment form – Code 282
- Tax Withholding form – Code 310
- Direct Deposit form – Code 311
- Beneficiary form – Code 020
- Survivor Final letter – Code 283

Additional documents for pop-up:

- Beneficiary death certificate – Code 041
- Pop-up worksheet - 360
- Updated Beneficiary form – Code 020
- Correct/Adjust Benefits Letter – Code 325

Disability: Documents that should be on FileNet

- Disability Response letter – Code 261
- Disability Application 262
- Information Release Authorization – Code 265
- Medical Examination form – Code 264
- Miscellaneous Correspondence – Disability 279
- Medical Consultant's Report – Code 266
- Supervisor's Statement – Code 263
- Disability Enrollment Letter – Code 269
- Disability Enrollment form – Code 270
- Member Proof of age – Code 011
- Beneficiary Proof of age (if applicable) – Code 021
- Tax Withholding Certificate – Code 310
- Direct Deposit Authorization – Code 311
- Beneficiary form – Code 020
- Disability Recertification Tickler – Code 276
- Disability Final letter – Code 271
- Verification of Account – Code 130
- Disability Summary Board – Code 267

	Documents that should be in a Retiree's File:			
			Verified	
			Document in	
	Document Name	FileNet Code	FileNet	Initials
Retirement Process:				
Retirements/Presumptive				
1)	Teaching Contract	121		
2)	Letter of Resignation	122		
3)	Resignation Acceptance/nonrenewal	123		
4)	Salary Verification Form (From Employer)	126		
5)	Member Proof of Age	011		
6)	Beneficiary Proof of Age (If Applicable)	021		
7)	Retirement Enrollment Letter	234		
8)	Retirement Application	240		
	(Includes Application, staff checklist, Beneficiary Form, Tax Withholding, Direct Deposit Authorization)			
9)	Retirement Enrollment Form	235		
10)	Retirement Final letter	236		
11)	Verification of Account	130		
	(Includes Application, staff checklist, and a copy of the Presumptive calculation worksheet)			
Additional documents for Level Income Option:				
12)	Social Security Benefit Estimate	125		
Additional documents for Partial Lump Sum Option:				
13)	Application for Partial Lump Sum Distribution	238		
14)	Direct Rollover request	155		
15)	Other Miscellaneous documents with qualified institution who will receive the roll-over funds for the retiree	198		
Recalculation of the Benefit - due to 90% Presumptive Calc.				
16)	Correct/Adjust Benefit Letter	325		
Deaths:				

	Documents that should be in a Retiree's File:			
			Verified	
			Document in	
	Document Name	FileNet Code	FileNet	Initials
Retire that died:				
17)	Death Certificate (An obituary copy is not an acceptable legal notification)	040		
18)	Deceased Retiree Benefit Letter	351		
Continuing Annuitant (beneficiary) Set-up after retiree death (Options 1, 2, 10 and 20 year Term Certain)				
19)	Tax Withholding Form	310		
20)	Beneficiary Form	020		
21)	Direct Deposit (if applicable)	311		
Active Member died and Survivor account set-up				
Deceased Active Member:				
22)	Certification of Employment	099		
23)	Death Notification	350		
24)	Survivor Benefit Letter	281		
25)	Death Certification for Active Member)= (Obituary copy is not a legal substitute)	040		
26)	Beneficiary Form	020		
27)	Beneficiary Proof of Age (if applicable)	021		
Survivor set-up for Beneficiary of a deceased active member				
28)	Member Proof of age	011		
29)	Survivor Enrollment form	282		
30)	Tax Withholding form	310		
31)	Direct Deposit form	311		
32)	Beneficiary form	020		
33)	Survivor Final letter	283		
Additional documents for pop-up:				
34)	Beneficiary Death Certificate	041		
35)	Pop-up Worksheet	360		
36)	Updated Beneficiary form	020		
37)	Correct/Adjust Benefits letter	325		

	Documents that should be in a Retiree's File:			
			Verified	
			Document in	
	Document Name	FileNet Code	FileNet	Initials
Disability:				
38)	Disability Response letter	261		
39)	Disability Application	262		
40)	Information Release Authorization	265		
41)	Medical Examination form	264		
42)	Miscellaneous Correspondence – Disability	279		
43)	Medical Consultant's Report	266		
44)	Supervisor's Statement	263		
45)	Disability Enrollment Letter	269		
46)	Disability Enrollment form	270		
47)	Member Proof of age	011		
48)	Beneficiary Proof of age (if applicable)	021		
49)	Direct Deposit Authorization	311		
51)	Tax Withholding Certificate	310		
52)	Beneficiary form	020		
53)	Disability Recertification Tickler	276		
54)	Disability Final letter	271		
55)	Verification of Account	130		
56)	Disability Summary Board Approval	267		

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES DIVISION
BUDGETED VS. ACTUAL HOURS FOR FISCAL YEAR 2018-2019**

	2019-2020 BUDGET HOURS (2 FTE'S)
1. Audit	
Retirement Program Audits:	
TFFR Employer Audits	1,000
TFFR File Maintenance Audit(s)	100
TFFR Purchase-Refund Audit	100
TFFR Cost Effective Review	0
TFFR Benefits Audit - Deaths, Long-Outstanding Checks, Long-term Members	200
TFFR Task List	0
TFFR Direct Deposit Reviews	0
Annual Salary Verification Project	140
	1,540
Agency and Investment Audits:	
Executive Limitation Audit & Executive Review Committee	250
Administrative Expense Audit	80
Cash Management & Rebalancing	200
Investment Due Diligence	0
Internal Control Assessment	200
Risk Management	0
Administrative Policy Review - Consulting	60
Investment Confirmation Audit	100
Pension System -Consulting	100
Portfolio Monitoring Procedures - Consulting	40
General Consulting	0
RIO External Auditor Assistance	60
	1,090
Total Audit Hours:	2,630
2. Administrative	
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	450
COVID-19	0
Audit Committee/SIB/TFFR Attendance and Preparation	380
Professional Development/CE/General Education	60
Annual Leave, Sick Leave, and Holidays	640
Total Administrative Hours:	1,530
Total Hours for 2019-2020:	4,160

Total Hours for 2019-2020: 4,160
Actual Hours for 2019-2020: 4,160
D. Thorsen Total Hours 2019-2020: 2,080
S. Sauter 2019-2020 Hours: 2,080

1st Quarter Actual Hours	2nd Quarter Actual Hours	3rd Quarter Actual Hours	4th Quarter Actual Hours	2019- 2020 Actual Hours	Actual vs. Budgeted Hours Over/(Under)
283	88	89	85	545	(456)
37	80	86		203	103
				0	(100)
			10	10	10
1	147	144	74	366	166
56	26	52	73	207	207
			27	27	27
30	48	1	28	107	(33)
10	26	130	45	211	(40)
	68	39		107	27
		5	15	20	35
48				48	48
			20	20	(180)
			40	40	40
			10	10	(50)
					(100)
				0	(100)
					(40)
11	22	10	18	61	61
41	5	0	102	148	88
517	510	555	547	2,129	(287)
170	200	187	134	690	240
			24	24	(24)
162	114	133	178	587	207
2	30	3	38	72	12
190	187	163	120	661	21
524	531	486	493	2,034	456
1,041	1,041	1,041	1,040	4,162	169
25%	25%	25%	25%	100%	

MEMORANDUM

TO: State Investment Board (SIB)

FROM: SIB Audit Committee

DATE: August 13, 2020

**SUBJECT: Fiscal Year End Audit Committee Activities Update
July 1, 2019 to June 30, 2020**

The Audit Committee is a standing committee of the State Investment Board (SIB) authorized under the 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 the financial reporting process, internal controls, and compliance with laws, regulations, policies, and procedures.

The Audit Committee consists of five members selected by the SIB. Three members of the Audit Committee represent the three groups on the SIB (Teachers' Fund for Retirement (TFFR) Board, Public Employees Retirement System (PERS) Board, and elected and appointed officials). The other two members are selected from outside the SIB, that are both independent and financially literate. Members of the Audit Committee for the 2019 - 2020 fiscal year were:

Yvonne Smith, PERS Board, Chair
 Rob Lech, TFFR Board, Vice Chair
 Jodi Smith, Elected and Appointed Officials and SIB Liaison
 Julie Dahle, External Member
 Jon Griffin, External Member

The Audit Committee held four regular meetings during the fiscal year ended June 30, 2020. The meetings occurred on: September 26, 2019, November 13, 2019, February 27, 2020, and May 21, 2020.

Activities of the Audit Committee during the past year included:

- The Committee approved a July 1, 2019 through June 30, 2020 Audit Service work plan. Progress was monitored on a quarterly basis. Audit activities included:
 - Executive Limitations Audit was completed. The audit determined the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation policies (A-1 through A-11) for the calendar year ending December 31, 2019.
 - State Investment Board Self-Evaluation was administered by Internal Audit. The SIB requested Internal Audits assistance in administering the self-evaluation and presenting the results.
 - Investment Due Diligence Audit was completed. The audit reviewed the ongoing investment due diligence process for investment managers.
 - Administrative Expense Audit was completed. The audit included reviews of RIO's travel policy, travel expense reimbursement vouchers, and a sample of invoices.
 - Three TFFR Employer Reporting Reviews were completed. The review tested the accuracy of retirement salaries and contributions reported by the Employer. Eligibility and services hours were also reviewed.

- TFFR Benefit Payment Audit was completed. A review of TFFR procedures for processing deaths of annuitants/members and checks outstanding sixty days or longer. The audit also verified that established procedures related to the monitoring of long-term annuitants in payment status are being followed.
 - The TFFR File Maintenance Audit was completed. The audit reviewed system generated (CPAS) audit tables and reports to ensure transactions initiated by staff are appropriate given an individual's role within the organization.
 - TFFR Task List Project was started to help with the upcoming PAS project. Internal Audit worked with Retirement Services, Administrative Services, and Information Technology Services on tracking retirement program activities. This is to document the flow of work and help find efficiencies. The tasks lists were also used in various audits throughout the year.
 - Internal Audit worked with the Loss Committee on Risk Management. All staff training was done for risk management. Policies and documentation of training was submitted Risk Management Division and RIO received the full 15% discount on their premium for having all required risk management policies and training in place.
 - Internal Audit has been working with staff on updating the Staff Policy Manual. This is an ongoing process and is to be completed by end of calendar year. Policies are being updated to ensure compliance with state and federal policies.
 - RIO's Internal Audit division provided assistance to our external audit partners, CliftonLarsonAllen, LLP (CLA), during the financial audit of the RIO as well as the GASB 68 Census Data Audits. Due to COVID-19, Internal Audit staff assisted in providing additional information to CLA as they were unable to travel for the preliminary onsite work.
 - Internal Audit staff continued to pursue networking and professional development opportunities via the IIA's local chapter. Staff attended training seminars and monthly meetings which cover a variety of topics. Supervisor of Internal Audit obtained both a Master's in Public Administration and Master's in Business Administration.
- The Committee received the results of the RIO financial audit for the fiscal year ended June 30, 2019 from independent auditors, CliftonLarsonAllen, LLP. They issued an unmodified "clean" opinion.
 - The Committee reviewed the RIO financial audit plan for fiscal year ended June 30, 2020 with independent auditors, CliftonLarsonAllen, LLP. Discussion included scope and approach for the audit to ensure complete coverage of financial information and review and approval of the Final GASB 68 Schedule Audit Report.
 - The Committee adopted a detailed audit work plan and budgeted hours for fiscal year July 1, 2020 to June 30, 2021.

The above activities support the Committee's fulfillment of its oversight responsibilities. Please inform the Committee if there are special audits or activities the Board would like to have reviewed.

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: August 13, 2020

SUBJECT: Audit Charter: 2019 - 2020 Review of Responsibilities

The Audit Committee (Committee) Charter of the North Dakota State Investment Board requires that the Committee confirm annually the review of all responsibilities outlined in the Charter. To achieve this, the Committee requested an annual report which details the responsibilities contained in the Charter and documents activities undertaken by the Committee to meet those responsibilities.

The responsibilities contained in the Charter will appear in regular font, activities undertaken by the Committee to meet those responsibilities will appear in *italic font*.

RESPONSIBILITIES

The RIO's management is responsible for financial and other reporting, internal controls, and compliance with laws, regulations, and ethics. The Committee has the responsibility to provide oversight in the areas of:

- the reliability and integrity of financial and operating information;
- compliance with policies, plans, procedures, pertinent laws and regulations;
- compliance with the Code of Conduct applicable to the SIB, TFFR Board, and RIO employees;
- safeguarding of assets;
- economical and efficient use of resources; and
- effectiveness of achieving desired results from operations.

To this end, the Committee will:

Independent Audit

- Review the independent auditors' proposed audit scope and approach, including coordination of audit effort with RIO's Internal Audit staff and any developments in accounting principles and auditing standards that may affect either the financial statements or the audit.
 - *On May 21, 2020 members of the Committee met with representatives from RIO's independent audit firm, CliftonLarsonAllen. The July 1, 2019 to June 30, 2020 Fiscal Year Financial Audit proposed scope and approach was discussed. This included any applicable discussion related to developments in accounting principles or auditing standards that would have an effect on the financial statements or the audit. Coordination between RIO's independent audit firm and RIO's Internal Audit is not required during completion of the financial audit.*
- Inquire as to any proposed changes in accounting or financial reporting procedures and of any unusual events that could impact the financial statements.

- *On November 13, 2019 and May 21, 2020, members of the Committee met with representatives from RIO's independent audit firm, CliftonLarsonAllen. RIO's Chief Financial Officer was also present. The Committee was provided the opportunity to engage all parties in discussions related to changes in accounting or financial reporting procedures and unusual events which could impact the financial statements.*
- Review the results of the financial statements report with the independent auditors and the RIO's management, prior to the release of the financial statements report to the SIB and other officials. This review will include the following, as applicable:
 - Any major problems encountered by the independent auditors and the resolution thereof;
 - The effect on the audit of any developments;
 - Any unresolved differences between the independent auditors and the RIO's management;
 - Any other significant comments or recommendations of the independent auditors or the RIO's management;
 - The adequacy of the RIO's internal accounting controls and accounting policies, procedures, and practices; and
 - Understand the scope of independent auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with the RIO's management responses.
- *On November 13, 2019, the Committee received, reviewed, and approved the June 30, 2019 Financial Audit Report of RIO. On May 21, 2020, the Committee received, reviewed, and approved the 2019 GASB 68 Schedule Audit Report. On both occasions, RIO's management, representatives of RIO's independent audit firm, CliftonLarsonAllen, and RIO's Chief Financial Officer were present. Following approval by the Committee, both audit reports were provided to the SIB who subsequently provided their approval at their next regularly scheduled meeting.*
- Consider the effectiveness of the RIO's internal control system, including information technology security and control.
 - *On November 13, 2019 and May 21, 2020, members of the Committee met with RIO's management, representatives from RIO's independent audit firm, CliftonLarsonAllen, and RIO's Chief Financial Officer. The Committee was provided the opportunity to engage in discussions with all parties related to RIO's internal control system, including information technology security and control. A formal risk assessment was documented and a summary of results were presented to the Committee. Audit reports are provided at the conclusion of each quarterly audit to the Committee for review and approval.*
- Consider whether the financial statements are complete, consistent with information known to committee members, and reflect appropriate accounting principles. This will include the following, as applicable:
 - The accuracy and completeness of the information in other sections of the annual report and related regulatory filings;
 - The significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
 - All matters required to be communicated to the Committee under generally accepted auditing standards with the RIO's management and the independent auditors.

- *On November 13, 2019, the Committee received, reviewed, and approved the June 30, 2019 Financial Audit Report of RIO. On May 21, 2020, the Committee received, reviewed, and approved the 2019 GASB 68 Schedule Audit Report. On both occasions RIO's management, representatives of RIO's independent audit firm, CliftonLarsonAllen, and RIO's Chief Financial Officer were available to assist the Committee in determining if financial statements were complete, consistent with information known to the Committee, and reflective of appropriate accounting principles.*
- Review non-audit services, if any, performed for the RIO by the independent auditors.
 - *RIO's independent audit firm, CliftonLarsonAllen, did not provide any non-audit services in fiscal year 2020.*

Audit Services

- Consider the effectiveness of the Internal Audit function, within The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing* consisting of the *Definition of Internal Auditing, Code of Ethics* and the *Standards*.
 - *Internal Audit provides individual audit reports, annual work plans, quarterly progress updates, budgeted vs. actual hour comparisons, and other information to the Committee which can be used to gauge the overall effectiveness of the division. To the extent possible, Internal Audit conducts its activities in accordance with the International Standards for the Professional Practice of Internal Auditing.*
- Review with the Executive Director and the Supervisor of Internal Audit the audit charter, activities, staffing, and organizational structure of Internal Audit.
 - *The review of the Charter by the Committee is completed on an annual basis at the first regularly scheduled meeting of the fiscal year. The Charter was updated and approved by the Committee on November 13, 2019. The Committee is provided an update regarding the activities of Internal Audit on a quarterly basis. RIO management and Internal Audits' staff are available during these updates to provide additional information as needed. Neither the Committee nor RIO's management requested a review of the organizational structure and/or staffing of the Internal Audit division in fiscal year 2020.*
- Review and approve the annual risk-based audit work plan and all major changes to the plan.
 - *On September 26, 2019 the Committee approved the 2019-2020 audit work plan budgeted hours based off of results of the agency risks, SIB Governance, and concerns of SIB Audit Committee.*
- Bring to the attention of the Board any internal audit issues the Committee determines significant and appropriate for Board consideration.
 - *There were no internal audit issues the Committee needed to bring to the Board's attention.*
- Participate with the Executive Director in the appointment and annual evaluation of the Supervisor of Internal Audit. Work with the Executive Director on any changes in staffing, including the addition, termination, or replacement of auditors, and the approval of salary increases and/or promotions other than those authorized by the legislature.

- *The annual evaluation for the Supervisor of Internal Audit for the review period beginning April 1, 2019 and ending March 31, 2020 was provided to the Audit Committee Chair for review prior to being finalized. No changes were made to Internal Audit staffing during fiscal year 2020. Salary increases for performance were given to both the Supervisor of Internal Audit and Internal Audit staff member. Dottie Thorsen was promoted from an Auditor II to an Auditor III in April 2020. Internal Audit staff also received pay increased as authorized by the legislature occurred in fiscal year 2020.*

Risk Management

- Obtain information and/or training to enhance the Committee's understanding of the organization and its related risk management processes.
 - *The Committee received education on Internal Audit Background and Employer Review.*
- Review the adequacy of the organization's policy on risk management.
 - *The policies for risk management have been revised and will be going to the Committee in FY 2020 for review.*
- Review the effectiveness of the organization's system for assessing, monitoring, and controlling significant risks or exposures.
 - *A risk-based audit plan was approved. As internal audit staff is able to do more internal audits, the Committee will be able to review the risks or exposures to the agency.*
- Review management's reports on risks and related risk mitigations.
 - *Management responds to all audits and their response is reported to the Committee.*
- Hire outside experts and consultants in risk management, as necessary, subject to full board approval.
 - *No outside experts or consultants were hired during FY 2020.*

Compliance

- Review staff compliance with federal and state laws and North Dakota administrative code as applicable to RIO, the SIB and TFFR Board programs, and the process for communicating the code of conduct to the RIO's staff, and for monitoring compliance through the receipt of the audit results.
 - *Internal Audit staff continues to transition into an internal audit division. Audit staff notes, if any, recommendations and findings in audits. Management responds to all audits and their response is reported to the Committee.*
- Review the process for communicating and monitoring compliance with the code of ethics, code of conduct, and fraud policies.
 - *Internal Audit staff reviews to ensure all staff signs and acknowledges the understanding with the code of code of ethics, code of conduct, and fraud policies. This is reviewed as part of the Executive Limitations Audit.*

- Review the findings of any examinations by regulatory agencies, any auditor observations related to compliance, and the responsiveness and timeliness of management's actions to address the findings/recommendations.
 - *There were no findings/recommendations noted by the CLA.*
- Obtain updates from the RIO's management and legal counsel regarding compliance matters, as deemed necessary.
 - *There was no recommendation on compliance matters from legal counsel.*

Reporting Responsibilities

- Report to the SIB about the Committee's activities, issues, and related recommendations.
 - *Reports regarding the activities, issues, and related recommendations of the Committee were provided to the SIB on October 25, 2019, November 22, 2019, February 28, 2020, and May 22, 2020.*
- Provide a written report annually to the SIB, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.
 - *The annual written report was provided to the SIB on October 25, 2019 for fiscal year 2019.*

Other Responsibilities

- Make recommendations to the North Dakota State Auditor's Office, when appropriate, as it relates to selection, evaluation, and termination of independent auditors.
 - *Communication with the State Auditor's Office regarding the selection, evaluation, and termination of RIO's independent auditors was not conducted as CLA is in a three-year contract.*
- Obtain the information and training needed to enhance the committee members' understanding of the role of Internal Audit and the independent auditor, the risk management process, internal controls, and a certain level of familiarity in financial reporting standards and processes so the Committee may adequately oversee.
 - *The Committee received education on Internal Audit Background and Employer Review Process.*
- Serve as an open avenue of communication among the SIB, the RIO's management and Internal Audit, the independent auditors, and others.
 - *RIO's management, Internal Audit staff, and members of the SIB (who serve on the Committee) are present at all regularly scheduled meetings of the Committee. RIO's independent auditors are present at regularly scheduled meetings of the Committee on two occasions during the fiscal year. The Supervisor Internal Audit routinely communicates with the SIB during their regularly scheduled meetings. This arrangement fosters an open avenue of communication among the parties.*

- Serve as an appropriate confidential body for individuals to provide information on potentially fraudulent financial reporting or breaches of internal control.
 - *RIO has an anonymous fraud hotline. The Executive Director/CIO, Supervisor of Internal Audit, and RIO's legal counsel are listed as the primary recipients of reported incidents of fraudulent financial reporting or breaches of internal control. The Committee is also available to receive such reports should an individual choose not to use the fraud hotline provided by RIO. There were no incidents reported.*
- Inquire of management and Internal Audit regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices.
 - *The Committee is welcome to inquire to management and Internal Audit regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices whenever deemed necessary. At this time Internal Audit is not aware of any inquires made by or concerns of the Committee regarding these matters.*
- Perform other activities related to this charter as requested by the SIB.
 - *The SIB made no requests of the Committee during fiscal year 2020.*
- Institute and oversee special investigations as needed.
 - *No special investigations were instituted or needed during fiscal year 2020.*
- Review any other reports the RIO issues that relates to the Committee's responsibilities.
 - *Internal Audit is aware of no other reports issued during fiscal year 2020 which relate to the Committee's responsibilities.*
- Review and assess the adequacy of the Committee charter annually, requesting the SIB approval for proposed changes.
 - *On November 13, 2019, the Committee reviewed and approved of the Charter. SIB approved proposed changes on November 22, 2019.*
- Confirm annually the review of all responsibilities outlined in this charter.
 - *On September 26, 2019, the Committee reviewed and approved of the Charter.*