

## **AUDIT COMMITTEE MEETING**

Thursday August 11, 2021 – 2:30 PM  
Workforce Safety & Insurance Conference Room  
1600 E Century Ave Suite 1, Bismarck, ND 58503

**Teleconference 701-328-0950, Conference ID:14897225#**

## **AGENDA**

- I. Call to Order and Approval of Agenda – Chair (committee action) (5 minutes)
- II. Approval of May 20, 2021 Minutes – Chair (committee action) (5 minutes)
- III. Election of Chair, Vice Chair, and Liaison – Chair (committee action) (5 minutes)
- IV. 2021 - 2022 Affirmation of Code of Conduct Policy – Matthew Posch (information) (5 minutes)
- V. Executive Limitations/Staff Relations – Jan Murtha (informational) (10 minutes)
- VI. Governance – Sara Sauter (committee action) (45 minutes)
- VII. Update on Current Internal Audit Activities – Sara Sauter (committee action) (30 minutes)
- VIII. 2020 - 2021 Year End Audit Activities Report – Sara Sauter (committee action) (20 minutes)
- IX. 2020 - 2021 Audit Committee Report to SIB – Sara Sauter (committee action) (10 minutes)
- X. Audit Charter: 2020 - 2021 Review of Responsibilities – Sara Sauter (committee action) (15 minutes)
- XI. Other – Next SIB Audit Committee Meeting  
Workforce Safety & Insurance Conference Room  
1600 E Century Ave Suite 1, Bismarck, ND 58503  
Tuesday November 16, 2021 @ 2:30 PM
- XII. 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 20, 2021 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 University & School Lands

**STAFF PRESENT:** Connie Flanagan, Chief Financial Officer  
Bonnie Heit, Suprv of Admin Svs  
David Hunter, Exec Dir/CIO  
Jan Murtha, Dep Exec Dir/CRO  
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

**CALL TO ORDER:**

Ms. Smith called the State Investment Board (SIB) Audit Committee meeting to order at 2:40 p.m. on Thursday, May 20, 2021, at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

The following Audit Committee members were available representing a quorum; Ms. Smith, Dr. Lech, Commissioner Smith, Ms. Dahle, and Mr. Griffin

**AGENDA:**

The agenda was considered for the May 20, 2021, meeting.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 20, 2021, MEETING AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED**

**MINUTES:**

**IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE FEBRUARY 25, 2021, MINUTES AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED**

**CLIFTONLARSONALLEN (CLA) :**

Mr. Rey reviewed the engagement scope, work plan, critical audit areas, external/internal audit interplay, government pension data analytics, and timeline of the financial statement audit of RIO for the period of July 1, 2020 – June 30, 2021.

CLA will be remotely conducting the preliminary fieldwork for the audit starting in June 2021 and are planning to be on-site for the final field work in August 2021.

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, 2020. An unmodified clean opinion was issued on the statements.

**IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AUDIT SCOPE AND APPROACH PRESENTED BY CLA FOR THE FINANCIAL STATEMENT AUDIT OF RIO FOR THE PERIOD OF JULY 1, 2020 – JUNE 30, 2021 AS WELL AS THE GASB 68 SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER FOR THE PERIOD ENDING JUNE 30, 2020.**

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

**NAYS: NONE**

**MOTION CARRIED**

**LEGISLATIVE UPDATE:**

Mr. Hunter highlighted HB 1022 (RIO's budget) and HB 1425 (In-State Investment Program).

Mr. Hunter also updated the Audit Committee on RIO's upcoming office relocation which is scheduled sometime in September 2021.

**AUDIT ACTIVITIES:**

Audit Committee – Ms. Sauter reviewed activities of Internal Audit for the period of January 1 – March 31, 2021.

**RIO Audit Activities:**

The Executive Limitations Audit was completed in February 2021.

Support has been provided to the Executive Review Committee (ERC) in administering a board self-evaluation. Results were presented on April 23, 2021.

Internal Audit also assisted the ERC to facilitate a survey to the SIB and RIO personnel for the annual evaluation of the Executive Director/CIO. The results were presented to the ERC in April 2021.

CLA's contract with RIO expired with the completion of the 2019/20 annual audits. The State Auditor's Office issued an RFP and selected CLA to serve as RIO's external audit partner for the next three years.

The Administrative Policy Manual for the office is being reviewed. The policy manual should be completed (with the exception of the IT policies) by June 30, 2021.

SIB Audit Activities:

The cash management and rebalancing audit is in progress.

The internal control guideline assessment is currently in progress.

Teachers' Fund for Retirement (TFFR) Audit Activities:

The Minot employer audit was completed and the report was issued November 2020.

The Salary Verification/Participant Data review for 2018-19 was completed May 11, 2021. Ms. Thorsen reviewed the results. Discussion followed on the Employer Payment Plans.

Internal Audit continues to assist in the Pension Administration System (PAS) upgrade. Stage 1 of the project was completed March 2021. Stage 2 is in progress. The Request for Proposal (RFP) for the new PAS vendor will be issued June 2021 with a due date of July 21, 2021.

Administrative Activities:

Internal Audit continues to attend RIO meetings, board meetings, and training.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE AUDIT ACTIVITIES REPORT FOR THE PERIOD OF JANUARY 1 - MARCH 31, 2021.**

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

**NAYS: NONE**

**MOTION CARRIED**

**WORKPLAN:**

Ms. Sauter reviewed Internal Audit's workplan for 2021-22. The workplan represents what Internal Audit anticipates will be accomplished in the upcoming fiscal year. The workplan may require adjustments as needs and priorities may change.

**IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INTERNAL AUDIT'S 2021-22 WORK PLAN.**

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

**NAYS: NONE**

**MOTION CARRIED**

**GOVERNANCE REVIEW:**

Dr. Lech lead the discussion on governance structure and the importance of following policies and procedures established by RIO and the SIB and holding itself accountable as an institution.

Ms. Sauter reviewed the role of the audit division of RIO. In the past, RIO's audit division was set up as a compliance entity rather than an internal audit function. Today, because of the risks identified by RIO leadership and board members, the role has changed to a true internal audit function to benefit RIO and particularly the SIB. Because of the changes made, RIO's Internal Audit Division now informs and works with the SIB Audit Committee to assist the Audit Committee in taking a more active role in the oversight of RIO. The Audit Committee is a standing committee of the SIB

authorized under SIB Governance Policy B-6, Standing Committees. Its primary function is to assist the SIB in fulfilling its oversight responsibilities of RIO internal and external audit programs, including financial and other reporting practices, internal controls, and compliance with laws, regulations, and ethics.

Dr. Lech, Lt. Governor Sanford, and Ms. Sauter felt it important to bring a situation before the Audit Committee for their awareness and input. It is crucial to do a review when there is any situation that a board member may have acted outside the governance structure.

On April 28, 2021, State Treasurer Thomas Beadle, as a trustee of the SIB, made a request to Callan, the SIB investment consultant, for due diligence because he had concerns expressed by several outside entities voiced to him. Callan has provided the requested documentation to State Treasurer Beadle. This request raises the issue of how board members should address due diligence concerns on an individual basis or on a board basis.

Discussion took place on Board Governance Policy B-2 Governing Style in Section B Governance Process which states the board will:

- 1. Cultivate a sense of group responsibility. The board, not the staff, will be responsible for excellence in governing. The board will strive to be an initiator of policy, not merely a reactor to staff initiatives. The board will strive to use the expertise of individual members to enhance the ability of the board as a body, rather than to substitute the individual judgments for the board's values.*
- 2. Direct, control, and inspire the organization through the careful establishment of the broadest written policies reflecting the board's values and perspectives. The board's major focus will be on the intended long-term impacts outside the operating organization (Ends), not on the administrative or programmatic means of attaining those effects.*
- 3. Enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, policy-making principles, respect of roles, and ensuring the continuity of governance capability.*
- 4. After speaking with one voice, self-police any tendency to stray from adopted board governance policies. The board will not allow any officer, member, or committee of the board to hinder or be an excuse for not fulfilling its commitments. The board respects the right of any member, as an individual, to publicly disagree with an adopted board policy. Board members will accurately portray board policies and decisions.*

The issue will be addressed at the SIB's May 21, 2021, meeting. SIB leadership and Ms. Sauter wanted the Audit Committee to be informed of the situation as it may come back to the Audit Committee for their review and possible recommendation. The SIB will be informed that the Audit Committee was notified of the situation at their May 20, 2021, meeting. The Audit Committee is in agreement that all possible violations of governance policy need to be investigated for the benefit of RIO personnel and the SIB.

#### **INTERNAL AUDIT ACTIVITIES:**

Ms. Sauter reviewed current Internal Audit activities.

The ERC administered the SIB self-evaluation and results were reported on April 23, 2021. The ERC is also working on the Executive Director/CIO's annual evaluation. Review and a compensation recommendation will be presented to the SIB at their May 21, 2021, meeting.

Stage 1 of the Pension Administration System (PAS) was completed March 2021 and State 2 is now in process. RIO has maintained the established timeline set for the completion of Stages 1 and 2 of the PAS project.

During the Legislative session, Fund Facts on the SIB and TFFR programs were sent to the Legislature on a weekly basis.

Internal Audit is also reviewing RIO's procurement process to ensure that the proper procedures are followed in the renewal of expiring contracts for services.

Internal Audit will be providing support to CLA during the July 1 2020 - June 30, 2021, financial audit of RIO and the GASB 68 census data audits.

Internal Audit is assisting in the Risk Management and Workers Compensation discount programs. If all criteria are met, RIO will be eligible to receive up to a 15% discount on premiums for both programs.

Ms. Sauter is participating in the review process for the RFP responses for the PAS project. Responses are due July 21 and evaluations will take place in July and August.

Ms. Sauter is also participating in a review of the SIB governance manual to ensure that board members are following the governance structure.

Internal Audit also provided the audit scopes for the upcoming TFFR File Maintenance and Death Audits.

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

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

**NAYS: NONE**

**MOTION CARRIED**

#### **PAS SYSTEM:**

Ms. Sauter provided a summary of the items completed by the agency to finalize Phase 1 and move into Phase 2 of the PAS project. The process is going well and the agency is on schedule.

#### **SCHEDULE:**

A proposed meeting schedule for 2021-22 was presented to the Audit Committee for their consideration.

**IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE 2021-22 AUDIT COMMITTEE MEETING SCHEDULE.**

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

**NAYS: NONE**

**MOTION CARRIED**

**MEMBERSHIP:**

Each July, the SIB is required to review and approve appointments to the SIB Audit Committee. Ms. Sauter requested the Audit Committee trustees notify her of their intent to continue to serve for the period of July 1, 2021 - June 30, 2022.

**OTHER:**

The next Audit Committee meeting is scheduled for Wednesday, August 11, 2021, at 2:30 p.m. at Workforce Safety & Insurance, 1600 East Century Ave., Bismarck, ND.

With no further business to come before the Audit Committee, Ms. Smith adjourned the meeting at 4:49 p.m.

Respectfully Submitted:

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Ms. Yvonne Smith, Chair  
SIB Audit Committee

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Bonnie Heit  
Recorder

## Memorandum

**To:** State Investment Board Audit Committee

**From:** Matt Posch, Investment & Compliance Officer

**Date:** July 26, 2021

**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):



## **POLICY TYPE: GOVERNANCE PROCESS**

### **POLICY TITLE: *BOARD MEMBERS' CODE OF CONDUCT***

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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 which 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 the public 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***

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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, February 27, 2015.

## MEMORANDUM

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**TO:** Audit Committee  
**FROM:** Jan Murtha  
**DATE:** August 4, 2021  
**RE:** Executive Limitations/Staff Relations

Ms. Murtha will provide a verbal update to the Audit Committee on the following topics:

1. Internal Agency Communication Plan
2. Retirements/Resignations/FTE's/Temporary Assistance
3. IT Unification
4. Agency Reorganization Phase 1
5. Facility Move
6. Current Procurement Activities including:
  - PAS Project
  - Executive Search
  - Death Audit
7. Requests for Internal Audit Division

**COMMITTEE ACTION REQUESTED: Information Only**

# MEMORANDUM

**TO:** State Investment Board (SIB) Audit Committee

**FROM:** Sara Sauter, Supervisor of Internal Audit

**DATE:** August 11, 2021

**SUBJECT:** Governance

The State Investment Board (SIB) on May 21, 2021, requested the assistance of the SIB Audit Committee "to review SIB governance policy B-2, governing style in Section B governance process, to clearly define inquiry and to review the board's structure and bring a recommendation back to the full SIB."

The SIB initially adopted *Governance Process - Governing Style* in June 1995, which follows Carver's Model of Governance. Since following the Carver Model, the SIB has only expanded number 5 relating to board development and board members understanding fiduciary duties and roles.

On May 21, 2021, the SIB meeting focused a lot of discussion around the phrase "speaking with one voice" and what it means. Speaking with one voice does not mean every Board member needs to agree, but it also does not mean that the loudest voice makes the decisions. The group's collective decision is the Board speaking with one voice. Each Board member is equal and holds the same amount of power on the Board, one vote.

Any Board using policy governance can choose its method to communicate to the public (one voice or not). In many cases, boards find it helpful to adopt a communications strategy in which board members are aligned on key messages and/or one member (e.g., the Chair) is chosen to speak about board matters on behalf of the Board as a whole. The current governance policy *B-4 Governance Process Chairperson's Role* does state that "The chairperson is the only board member authorized to speak for the board other than in specifically authorized instances." Alternatively, individual members could freely share their opinions publicly, as long as they adhere to legal obligations and do not dishonor board decisions or "sabotage or disrupt the fulfillment of board expectations." Then Board members need to ensure they are not using the public or media to push agenda items that have not been discussed or decided yet by the Board.

Other parts of the *B-2 Governance Process- Governing Style* focus on continual development. Board members are responsible for understanding their roles as trustees and fiduciaries, along with the governance process. It should be noted that the SIB Board annually approves all of the policies, and SIB board members acknowledge they have read and understood these policies.

Overall, *B-2 Governance Process- Governing Style* establishes the guidelines on the behavior expected from the Board and its members. The Board must be accountable to each other and is ultimately responsible for enforcing policies and ensuring board members are educated in their role.

What can happen when Board members willingly decide not to follow board governance, or the Board chooses not to enforce having strong board governance?

Having poor standards for governance can quickly undermine an organization. The result may involve reputational risk or lack of trust. Board members who do not want to follow policies and choose to act on their own need to be aware of the consequences.

- There can be a resource and focus drain on other board members and staff. Instead of focusing on the agency's mission (e.g., manager due diligence, monitoring performance, implementing board-approved strategies, investment returns, etc.), resources get reallocated to focus on the issues the board member may have created.
- The risk of collateral damage can happen, such as a loss of trust by other board members, staff, and other stakeholders.

Divided boards outside the board room kill good governance, model poor behavior, create division and confusion among staff, clients, and the public, and violate healthy governance practices. They hurt the very entity they are charged with leading and protecting.

Questions that need to be discussed and answered before going further with governance.

1. Are board members willing to follow board governance?
2. Are Board members willing to hold each other accountable when they act outside of policies (e.g., formal reprimand)?
3. Do Board members take the time to understand the current board governance policies?
4. Do Board members understand their fiduciary responsibility versus other potential outside interests that may try to influence them?
5. Is the SIB willing to have the conversations to find resolutions to these issues?

The second issue that the Audit Committee was asked to review was the structure of the Board. The Board composition is dictated in North Dakota Century Code 21-10-01. This means any changes would have to be done by legislation. To properly evaluate this task, an outside consultant would need to be hired.

Possible Recommendations:

1. The SIB sets up a committee to review the Governance Manual and brings forth recommendations to the SIB.
  - Any board member who is not present for the SIB meeting where a policy is discussed will have a follow-up conversation with a committee member to relay the information on the reviewed policies.
2. The SIB receives training in both governance and fiduciary responsibility.
  - Any board member who is not present for the SIB meeting where training is received will have a follow-up training with either the trainer or senior management to relay the information received.
3. SIB members will be responsible for making themselves familiar with governance policies and seek clarification for policies if needed.
4. Seek legal clarification if a Board member is breaking their fiduciary responsibility if they intentionally do not follow Board governance policies.
5. Add clarification in Board policy that Board members' interaction with public, press, or other entities must recognize that if the Board does not authorize them to speak on the matter, they must disclose they are not speaking on behalf of the Board or in their position as a Board member.

The board will strive to govern with an emphasis on:

- Outward vision rather than an internal preoccupation.
- Encouragement of diversity in viewpoints.
- Strategic leadership more than administrative detail.
- Clear distinction of board and executive director roles.
- Collective rather than individual decisions.
- Future rather than past or present.
- Proactivity rather than reactivity.

The board will:

1. Cultivate a sense of group responsibility. The board, not the staff, will be responsible for excellence in governing. The board will strive to be an initiator of policy, not merely a reactor to staff initiatives. The board will strive to use the expertise of individual members to enhance the ability of the board as a body, rather than to substitute the individual judgments for the board's values.
2. Direct, control, and inspire the organization through the careful establishment of the broadest written policies reflecting the board's values and perspectives. The board's major focus will be on the intended long-term impacts outside the operating organization (*Ends*), not on the administrative or programmatic means of attaining those effects.
3. Enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, policy-making principles, respect of roles, and ensuring the continuity of governance capability.
4. After speaking with one voice, self-police any tendency to stray from adopted board governance policies. The board will not allow any officer, member, or committee of the board to hinder or be an excuse for not fulfilling its commitments. The board respects the right of any member, as an individual, to publicly disagree with an adopted board policy. Board members will accurately portray board policies and decisions.
5. Promote continual board development through orientation and mentoring of new members in the board's governance process and through periodic board discussion of process improvement. The board shall not delegate new member governance orientation to the executive director or any staff member.
  - A. Board mentors are encouraged to assist new members to understand their fiduciary duty and role. Board members may engage the Board Chair if they would like to participate in an optional board mentorship program.

**POLICY TYPE: GOVERNANCE PROCESS**

**POLICY TITLE: GOVERNING STYLE**

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- B. The new board member should read and study Chapter 21-10, North Dakota Century Code (Section J of the SIB Policy Governance Manual which governs the activities of the boards represented on the SIB: Teachers' Fund for Retirement Board, Public Employees Retirement Systems Board, and the State Investment Board).
- C. The board should receive a glossary of terms used by the retirement and pension fund industry; i.e. Callan Associates Inc. - Glossary of Terms.
- D. Newly appointed or elected board members should become familiar with the Carver Model of Governance, since the SIB directs its activities by this model. They should read Boards That Make a Difference and study the policy manuals that have been developed by the SIB and TFFR Board.
- E. The board members must understand their roles as trustees and fiduciaries, the Prudent Investor Rule, and Procedural Prudence.

A "new trustee book bag" containing the Retirement and Investment Office's Comprehensive Annual Financial Report (CAFR) and reference materials relating to board governance, fiduciary conduct, and investment management concepts and terminology and other appropriate materials will be made available to new trustees.

- F. The executive director will provide the SIB with a list of periodicals available which would provide current information on pension issues. The board members will review and request subscriptions to appropriate periodicals.
- 6. Monitor and regularly discuss the board's process and performance. Self-monitoring will include comparison of board activity and discipline to policies in the *Governance Process* and *Board-Staff Relationship* categories.
  - 7. Observe Robert's Rules except where the board has superseded them.

**Policy Implemented:** June 23, 1995.

**Amended:** June 28, 1996; November 19, 1999, January 26, 2001, February 27, 2015, October 26, 2018, September 27, 2019.

# MEMORANDUM

**TO:** State Investment Board (SIB) Audit Committee

**FROM:** Sara Sauter, Supervisor of Internal Audit

**DATE:** August 11, 2021

**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

- Cash Management and Rebalancing Audit - Phase 2
- Internal Control Assessment – Phase 2
- RIO Policy Manual update – Phase 5
- PAS –Pension Administration Software – Stage 2
- Salary Verification Audit – Phase 5
- TFFR File Maintenance – Phase 2

The Executive Director/Chief Investment Officer of RIO resigned from his position on June 22, 2021. The SIB appointed an Executive Search Committee for the search of a new Director at the June 2021 meeting. The Supervisor of IA assist the Executive Search Committee in search of Executive Recruitment Services through the RFP process with ND Procurement. The Committee and key RIO staff reviewed and evaluated responses from the search firms at the end of July 2021. EFL Associates will be awarded the contract once the seven-day waiting period expires.

RIO entered Stage 2 of the PAS project starting April of 2021, staff worked with the consultant on the development of the RFP for the new pension administration system software. The RFP was issued during the month of June 2021. RIO received the responses in July of 2021. Key RIO staff (including the Supervisor of IA) have been reviewing and evaluating the responses from the software vendors. The evaluation process will be completed by August 18, 2021. Our Consultant will set-up a schedule for vendor demonstrations of their systems for staff and IA to attend. Each demonstration will be four to six hours in length with following staff discussion. RIO maintained the established timeline set for the completion of Stage 1 and is on schedule for Stage 2 of the project. The vendor selection is projected to be completed by November/December 2021.

IA issued a report on the audit of deaths to Retirement Services in April of 2020. The report was presented to SIB Audit Committee at the May 2020 meeting. IA recommended that Retirement Services (RS) expand the use of automated data analytic systems for death searches. The expanded use (weekly or daily) of the automated systems would replace the daily manual obituary searches. The current contract with a data analytic service expired in April of 2021 and a RFP was issued. IA attended meetings and presentations from the respondent. A contract is in the process of being negotiated for the new expanded service.



IA is providing assistance to our external audit partners, CliftonLarsonAllen (CLA), during the 2020/2021 financial audit of the RIO as well as the GASB 68 census data audits. CLA was not onsite for the preliminary audit work in June 2021. However, they are scheduled to be onsite at RIO the week of August 23, 2021. IA has sent the GASB 68 correspondence to the employer sample selected by CLA. Two of the employers had to be reminded of the upcoming deadline for the return of information. All of the other employers had responded and returned information to CLA.

IA added the following additional audit procedures to the TFFR File Maintenance Audit: (1) a sample of one on one Direct Deposit Authorization forms will be reviewed, and (2) a review of the records retention process and procedures. Past procedures reviewed will remain the same.

## MEMORANDUM

**TO:** SIB Audit Committee

**FROM:** Sara Sauter, Supervisor of Internal Audit

**DATE:** August 11, 2021

**SUBJECT:** 2020-2021 Year End Audit Activities Report

Audit coverage was based on the July 1, 2020 through June 30, 2021 work plan approved by the SIB Audit Committee in May of 2020. 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.

There were several events that occurred during fiscal year 2020-21 that altered the original work plan. The events were as follows: Additional assistance to the Boards, COVID 19 pandemic – working remotely and ensuring confidential documents do not leave the office, a TFFR fraud incident, and three new staff members and/or staff new to their position were hired. Several audits planned were not completed because the time was used in other areas or projects defined as a higher priority.

### 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 (IA) 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.
- **2020-2021 ACTUAL ACTIVITIES:**
  - The Executive Limitation Audit was completed on February 25, 2021.
  - The Executive Director/CIO Effectiveness Survey was presented to the SIB in May 2021.
  - The SIB Executive Review Committee Survey was presented to the SIB in May 2021.
  - The SIB Client Survey was completed and reported on October 23, 2020.
- **SIB Self-Assessment Survey**
- **AUDIT PLAN REQUIREMENTS:** At the request of the State Investment Board (SIB), IA was asked to work with the Executive Review Committee on developing and administering a Board Self-Assessment Survey.
- **2020-2021 ACTUAL ACTIVITIES:**
  - IA worked with the Executive Review Committee on administering the Board Self-Assessment Survey and reported the results to the SIB on March 26, 2021.

- **SIB Board Governance Review**
  - **AUDIT PLAN REQUIREMENTS:** The SIB requested the SIB Audit Committee to review and provide education on Board Governance on May 21, 2021. Board Governance is the framework that structures the board and how it operates. Governance includes the Board's responsibilities and organizational well-being. The SIB operates under the Carver Board Governance Model.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - The review is in progress. The Supervisor of IA reviewed the Carver Board Governance Model and is coordinating with the SIB Board and RIO Management to provide governance education.
- **SIB Executive Search Committee**
  - **AUDIT PLAN REQUIREMENTS:** The Executive Director/Chief Investment Officer of RIO resigned from his position effective June 22, 2021. He accepted another position in the private sector. The SIB Board selected and approved Board Members to serve on the Executive Search Committee at the June 2021 meeting. The Supervisor of IA has assistance in the search for Executive Recruitment Services through the RFP process with ND Procurement.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - The process is in progress. The Supervisor of IA worked with Executive Search Committee and ND Procurement in preparing, issuing, and evaluating the RFP for an Executive Recruitment Service.
- **Cash Management and Rebalancing Audit**
  - **AUDIT PLAN REQUIREMENTS:** Internal Audit would 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
  - **2020-2021 ACTUAL ACTIVITIES:**
    - The audit work started in March of 2020, but was put on hold due to the COVID 19 pandemic. Also, in March of 2020, the SIB approved RIO staff's recommendation to hire Parametric to establish a synthetic rebalancing overlay program that could be activated should certain current market conditions persist. The contract with Parametric was April through June of 2020. Due to the additional time associated with events noted in the second paragraph of this report and the PAS project, IA did not complete this audit as planned. The audit has been rescheduled to be completed in the 2021-22 Audit Work Plan.
- **Investment Confirmation Audit**
  - **AUDIT PLAN REQUIREMENTS:** A sample of investments will be selected and a confirmation letter will be sent to the investment manager and custodial bank. This will confirm that investment balances exist and that the investments are being reported accurately.

- **2020-2021 ACTUAL ACTIVITIES:**

- Due to the additional time associated with events noted in the second paragraph of this report and the PAS project, IA did not complete this audit as planned. The audit is scheduled to be completed in the 2021-22 Audit Work Plan.

- **Portfolio Monitoring Procedures - Consulting**

- **AUDIT PLAN REQUIREMENTS:** 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 in compliance with 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 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. IA will help review procedures and provide feedback during the process. 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.

- **2020-2021 ACTUAL ACTIVITIES:**

- Due to the additional time associated with events noted in the second paragraph of this report and the PAS project, IA did not work on this project as planned.

- **Vendor Due Diligence**

- **AUDIT PLAN REQUIREMENTS:** 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 but an ongoing continuous process. Vendor due diligence will be reviewed on third parties that RIO utilizes.

- **2020-2021 ACTUAL ACTIVITIES:**

Due to the additional time associated with events noted in the second paragraph of this report and the PAS project, IA did not work on this project as planned.

- **RIO External Auditor Assistance**

- **AUDIT PLAN REQUIREMENTS:** IA 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.

- **2020-2021 ACTUAL ACTIVITIES:**

- Internal Audit provided assistance to our external audit partners CLA during the 2020 financial audit of RIO as well as the GASB 68 census data audits. Due to the COVID-19 pandemic, CLA was unable to be onsite for the 2020 audit. CLA was unable to remotely access the RIO databases due to safety protocols set in place; therefore, IA was required to provide the documents and information to secure sites for CLA to complete the audit.
- Clifton/Larson/Allen was selected by the State Auditor's Office to serve as RIO's external Auditor for another three-year period starting fiscal year 2020/21.

- **RIO Internal Control Assessment**
  - **AUDIT PLAN REQUIREMENTS:** IA is working on an internal control guideline assessment put forth by the North Dakota Office of Management and Budget. This is an overall assessment on processes for state agencies.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - Due to the additional time associated with events noted in the second paragraph of this report and the PAS project, IA did not complete this project as planned. The audit is scheduled to be completed in the 2021-22 Audit Work Plan.
- **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 has an adequate Risk Management Program.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - IA participated in RIO's Loss Control Committee on the Risk Management and WSI Safety programs. RIO can earn up to 15% in premium decreases by completing the program requirements. All RIO staff attended online training for both programs. Policies and documentation of training was submitted to the Risk Management Division of ND and Workforce Safety and Insurance.
- **Administrative Manual Update - Consulting**
  - **AUDIT PLAN REQUIREMENTS:** The Deputy Executive Director/Chief Retirement Officer, Supervisor of Administrative Services/Office Manager, and Supervisor of IA will meet to review existing policies, recommending additional policies, and ensuring compliance with administrative policies.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - The Deputy Executive Director/Chief Retirement Officer, Supervisor of Administrative Services/Office Manager, and Supervisor of IA met regularly to revise the administrative policy manual for RIO staff. The policies were forwarded to the Executive Director/Chief Investment Officer for the final review, then reviewed by Division Management before presenting them to RIO staff. Policies reviewed and revised were as follows: Grievance, Media Inquiries, Overtime and Compensation, Recruitment and Retention Bonus, Teleworking, Time off to Vote, Time and Flexible Time Policy, Travel, and Tuition Reimbursement. RIO adopted other federal/state policies as found on the State OMB website. The project was essentially completed 6/30/2021 (with the exception of the IT policies).
- **RIO Fund Facts**
  - **AUDIT PLAN REQUIREMENTS:** Executive Management requested Investment Services and Retirement Services staff to provide Fund Facts to the Legislature during the 2021 Session. RIO sent the Fund Facts to the Legislature in an email blast on a weekly basis.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - IA reviewed the Fund Facts provided by Investment Services and Retirement Services staff for accuracy and appropriateness and forwarded the information to Executive Management.

**RETIREMENT PROGRAM AUDITS:**

- **Teachers' Fund for Retirement (TFFR) Employer Reporting Reviews**
- **AUDIT PLAN REQUIREMENTS:** The Audit Plan included performing TFFR Salary Reviews on the ten largest employers on a five-year basis. The ten largest employers account for over one half of the participants reported to the TFFR program. A total of two salary reviews were scheduled to be completed in 2020-21.
- **2020-2021 ACTUAL ACTIVITIES:**
  - One (1) TFFR Salary Review was completed during fiscal year 2020-2021. The Minot TFFR Salary Review Report was issued November 3, 2020 and presented to the SIB Audit Committee at the November 2020 meeting. The second review was not completed as planned due to the additional time associated with the events noted in the second paragraph of this report.
- **Annual Employer Salary Verification-Participant Data Review**
- **AUDIT PLAN REQUIREMENTS:** On an annual basis, IA verifies retirement salaries and contributions reported to TFFR for the prior fiscal year for 65 randomly selected member accounts. TFFR eligibility and service hours were also verified. The project increases the number of participating employers included in the overall audit activities and reinforces to our participating employers the importance of accurate reporting.
- **2020-2021 ACTUAL ACTIVITIES:**
  - The Annual Salary Verification-Participant Data Review report on fiscal year 2018-19 was issued May 11, 2021 and was presented to the SIB Audit Committee at the May 2021 meeting.
- **TFFR Benefit Payment Audit**
- **AUDIT PLAN REQUIREMENTS:** In the Benefit Payment Audit issued April 2020, IA recommended that Retirement Services consider investigating the expanded use of the automated data analytic tools for searches on a daily/weekly basis and discontinue the manual searches of state newspapers for deceased members. IA offered their assistance in exploring the expanded use of the data analytic systems.
- **2020-2021 ACTUAL ACTIVITIES:**

Since the existing contract expired in Spring of 2021, IA staff assisted the Deputy Executive Director/Chief Retirement Officer, the Retirement Program Manager, IT staff and ND Procurement in the RFP process for the expanded use of an automated data analytic system in identifying deceased TFFR members. IA staff also attended meetings for the Consultant's presentations of their product. Actual IA time for this project was not part of the original work plan. Expanding the use of the automated data analytics was defined as a higher priority over other scheduled audits.
- **TFFR Cost Benefit Audit**
- **AUDIT PLAN REQUIREMENTS:** On a biannual basis, a review of TFFR benefit recipients is completed to determine that they receive their retirement benefits in a cost effective and timely manner. This audit is intended to verify that one of the TFFR's missions is being achieved. As part of this overall process, IA also verifies the accuracy of benefit payments via the recalculation of benefit payments for the sampling of retiree member accounts.

- **2020-2021 ACTUAL ACTIVITIES:**
  - The Cost Benefit Audit was not completed in 2020-21. Due to the noted events in the second paragraph of this report, IA felt that completing the audit in another year would better reflect actual staff efficiency.
- **TFFR Direct Deposit Review**
  - **AUDIT PLAN REQUIREMENTS:** A fraud incident occurred with a retiree during the third quarter of 2019-2020. A retiree notified TFFR that the benefit payment was not deposited into their account. After investigation, RIO found an unknown individual fraudulently changed the retiree's bank account number and address by mail-in forms. RIO consulted legal counsel. The retiree notified the police and RIO filed an incident report with ND Risk Management. The claim was approved by Risk Management and reimbursement was provided to the retiree for the lost payment.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - IA reached out to Retirement Services and reviewed the procedures in place. The format of direct deposit change forms was also reviewed. During the first quarter of 2020-2021, IA reviewed all one on one Direct Deposit Authorization forms changes to ensure new forms and procedures were followed by RIO staff. The new forms have to be notarized. Actual IA time for this project was not part of the original work plan. The review was defined as a higher priority over other scheduled audits
- **TFFR File Maintenance Audit**
  - **AUDIT PLAN REQUIREMENTS:** On an annual basis, IA 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, Direct Deposit Authorization forms, and Point of Contact forms was reviewed to verify that contact and demographic information has been updated correctly.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - The TFFR File Maintenance Audit was not completed due to time associated with the events noted in the second paragraph of this report. Audit fieldwork started in June 2021. The number of hours to complete this audit will probably be higher than anticipated due to the addition of a Direct Deposit Authorization forms (fraud incident) review and a records management review.
- **TFFR File QDRO Review**
  - **AUDIT PLAN REQUIREMENTS:** 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 interest in the plan. A QDRO will instruct the plan administrator on how to pay the non-employee spouse's share of the plan benefits. IA has never reviewed the QDRO process. IA will work with Retirement Services on reviewing and documenting the process.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - The TFFR File QDRO Review was not completed as planned due to events noted in the second paragraph of this report. The Deputy Executive Director/Chief Retirement Officer and the Retirement Program Manager did review the process in 2020/21.

- **TFFR Refund and Purchase Audit**
  - **AUDIT PLAN REQUIREMENTS:** On an annual basis, IA will review system generated (CPAS) 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 to ensure transactions initiated by staff are expected and appropriate given an individual's role within the organization.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - The TFFR Refund and Purchase Audit was not completed as planned due to time associated with the events noted in the second paragraph of this report. The audit was moved to the 2021-22 Audit Work Plan.
- **TFFR Task List Project**
  - **AUDIT PLAN REQUIREMENTS:** IA worked with Retirement Services, Administrative Services, and Information Technology Services on tracking retirement program activities for the 2019-20 fiscal year due to staff retirements. In 2020-21, IA focused more individual tasks which would be beneficial to RIO in selecting a new pension administration software (PAS).
  - **2020-2021 ACTUAL ACTIVITIES:**
    - A full year of activities were recorded for Retirement Services, Administrative Services, and Information Technology Services for 2019-20. In 2020/21, work flow was documented to help find efficiencies and was also used in various other audits. A summary report dated August 6, 2020 was presented to the SIB Audit Committee at the August 2020 Audit Committee meeting. As RIO staff notifies the agency of their retirement, IA forwards the documented activities to Division Supervisors.
- **TFFR Pension Administration Software Assistance (PAS Project)**
  - **AUDIT PLAN REQUIREMENTS:** TFFR was approved spending for a pension system upgrade to be started in 2020-21. IA can help significantly reduce risk by playing a role that is educational, consultative or audit in nature, and by bringing independent subject-matter expertise to the most common risk areas. IA's ability to operate across the agency and across all individual work streams in a program provides visibility of risks that might otherwise be lost between silos. IA also went to training on project management for auditors to help with the upgrade process.
  - **2020-2021 ACTUAL ACTIVITIES:**
    - IA participated in multiple activities throughout the year. They were as follows: (1) The selection for the project consultant - Summer of 2020. (2) Each auditor served on different Committees during Stage 1 of the PAS project. IA attended meetings with TFFR staff on the pros and cons of existing TFFR procedures and expressed wishes, wants and efficiencies for the future operations (October through December 2020). (3) IA then met with the Consultant and other RIO staff to express the wants and wishes for each business process. These wants/wishes would be used in the development of the RFP. (4) IA attended ten software demonstrations - (December through January). (5) IA attended Consultant presentations for deliverable Stage I products; the Ten - Key Assessment – Benefits Communication Best Practices, the Cybersecurity Assessment, the Current Business Model Assessment, and the New Business Model Assessment. Lastly, (6) IA assisted with drafting the RFP – (Spring 2021). The RFP was issued June 1, 2021. RIO was on schedule and completed Stage 1 of the PAS project. In Stage 2 of the project, RIO planned procurement, developed the RFP, and issued the RFP. Actual IA time for this project exceeded projections and was defined as a higher priority over other scheduled audits.



- **Professional Development/CE/General Education**

- **AUDIT PLAN REQUIREMENTS:** IA is a member of the Institute of Internal Auditors (IIA) and attends meetings along with bi-annual seminars. RIO is also a member of the Association of Public Pension Fund Auditors (APPFA).
- **2020 - 2021 ACTUAL ACTIVITIES:**
  - Audit Staff completed state required computer refresher class October 2020.
  - IA Staff also attended an APPFA/P2F2 Virtual training conference in October of 2020. Sessions were defined as Pension 101, Personal Development, General Accounting, Investment Accounting, and Employer Reporting. General session classes included the following topics: fraud, the effects of COVID on pension systems, accounting best practices, nonverbal communication, actuarial funding, business continuity with the pandemic, updates with GASB, and stress/time management skills.
  - Completed IT authentication refresher training, teams phone training, monthly management classes with Human Resources
  - Completed virtual training for Risk Management/Workforce Safety Programs

*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 2020-2021.*

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE**  
**INTERNAL AUDIT DIVISION**  
**FISCAL YEAR 2020 -2021**

	FY 2020 1st QTR	FY 2020 2nd QTR	FY 2021 3rd QTR	FY 2021 4th QTR	FY 2021 TOTAL
<b>Audit Activities</b>					
<b>Retirement Program Audits:</b>					
TFFR Employer Audit Program	271				
<i>Minot (used Data Analytics)</i>	125	62			186.50
<i>General Employer Audits</i>	14	28	20.25	21.75	84.3
<i>Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications</i>	25	37	12	5.00	79.00
Benefits Audit - Deaths, Long-Outstanding Checks, Long-term Members				4.00	4
TFFR Cost Effective Review	8				8
TFFR Pension Data System - PAS	83	128	82	79.25	372
TFFR Direct Deposit Reviews	41	6			47
TFFR File Maintenance Audit	1		1.25	60.50	62
TFFR Purchase-Refund Audit					0
TFFR Task reports	59				59
Annual Salary Verification Project	35	86	263	99.75	484
<b>Agency Administrative and Investment Audits:</b>					
Executive Limitations Audit and Executive Review Committee	12	14	177.00	44.50	248
Internal Control Assessment	18	15			33
Risk Management	17	9		14.00	40
Administrative Policy Review	28	21	31	5.00	84
Consulting	36	16	23	6.00	81
Governance Review				80.00	80
RIO External Auditor Assistance	63	16	4.00	8.00	91
<b>Administrative Activities</b>					
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	145	166	119.25	311.25	741
COVID-19 Meetings, Preparation, etc.	1				1
Audit Committee/SIB/TFFR Attendance and Preparation	159	133	152.00	138.50	582
Professional Development/CE/General Education	7	86	3	7.50	103
Annual Leave, Sick Leave, and Holidays	167	218	153.25	155.00	692
<b>Quarterly Total:</b>	<b>1040</b>	<b>1040</b>	<b>1040</b>	<b>1040</b>	<b>4160</b>

Total Hours for 2020-2021 4,160

D. Thorsen Total Hours 2020-2021 2,080

S. Sauter Total Hours 2020-2021 2,080

## MEMORANDUM

**TO: State Investment Board (SIB)**

**FROM: SIB Audit Committee**

**DATE: August 11, 2021**

**SUBJECT: Fiscal Year End Audit Committee Activities Update  
July 1, 2020 to June 30, 2021**

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 2020 - 2021 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, 2021. The meetings occurred on: August 13, 2020, November 18, 2020, February 25, 2021, and May 20, 2021.

Activities of the Audit Committee during the past year included:

- The Committee approved a July 1, 2020 through June 30, 2021 Internal Audit 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, 2020.
  - State Investment Board Self-Evaluation was administered by Internal Audit. The SIB requested Internal Audit's assistance in administering the self-evaluation and presenting the results. The SIB self-evaluation was presented on April 23, 2021 SIB meeting.
  - The SIB requested that the SIB Audit Committee conduct a review on Board Governance on May 20, 2021. The review is currently in progress.

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- SIB Board Executive Search Committee - Internal Audit has participated in the RFP process to procure an Executive Recruitment Service in a search for a new Executive Director/Chief Investment Officer. The Executive Director/Chief Investment Officer resigned from his position June 22, 2021.
- RIO sent email blast of Fund Facts to the members of the ND 2021 Legislature. Internal Audit reviewed Fund Facts provided by Investment Services and Retirement Services for accuracy and appropriateness.
- One TFFR Employer Reporting Review 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 in fiscal year 2019-2020. Internal Audit recommended to TFFR that they expand the use of a data analytic system for identifying deaths. In 2020-2021, Internal Audit worked with IT, Retirement Services, and ND Procurement in developing and reviewing the RFP for a new system. Internal Audit also attended meetings for the Consultant's presentations of their product.
- The TFFR Direct Deposit Review was completed. In 2019-20, a fraud incident occurred with a retired member that did not receive their benefit check. TFFR updated procedures and Direct Deposit Forms to prevent the incident from occurring again. Internal Audit reviewed all one on one Direct Deposit Authorization form changes to ensure new forms and procedures were followed by RIO Staff.
- The TFFR Salary Verification-Participant Data Audit was completed. The audit verified salary, service hours, model compliance, and eligibility for sixty-five randomly selected member accounts. This audit was completed on May 11, 2021.
- TFFR Task List Project was started to help with the 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.
- TFFR was approved for a pension administration software upgrade – PAS Project. Stage I of the project was completed in 2020-2021. RIO staff (including both Internal Audit staff) attended multiple meetings with the Consultant evaluating the system in place and then determining what the new system should be for TFFR to become more efficient and provide better service to the membership and the employers. The Consultant presented the following deliverables to RIO: The Ten Key Assessment – Benefits Communication Best Practices, the Cybersecurity Assessment, Current Business Model Assessment, and the New Business Model Assessment. In Stage 2 of the project, RIO planned procurement, developed the RFP, and issued the RFP in June of 2021.
- Internal Audit worked with the Loss Committee on the Risk Management and WSI Safety programs. RIO can earn up to 15% in premium decreases by completing the program requirements. All RIO staff attended online training for both programs. Policies and documentation of training was submitted to the Risk Management Division of ND and Workforce Safety and Insurance.
- Internal Audit worked with staff on updating the Administrative Policy Manual. Policies were written and updated to ensure compliance with state and federal policies. RIO also adopted other federal and state policies as found on the ND State OMB website. The project was essentially completed 6/30/2021 (with the exception of the IT policies).
- RIO's Internal Audit division provided assistance to our external audit partners, CliftonLarsonAllen, LLP (CLA), during the 2019-2020 and the 2020-21 financial audits of the RIO as well as the GASB 68 Census Data Audits. Due to COVID-19, Internal Audit

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staff assisted in providing additional information to CLA as they were unable to travel for onsite work.

- Internal Audit staff continued to pursue networking and professional development opportunities via the IIA's local chapter and the APPFA (Association of Public Pension Fund for Auditors). Staff attended training seminars which covered a variety of topics (Pension, Personal Development, General Accounting, Investment Accounting, Employer Reporting, Management, and IT refresher classes).
- The Committee received the results of the RIO financial audit for the fiscal year ended June 30, 2020 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, 2021 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, 2021 to June 30, 2022.

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 11, 2021

**SUBJECT:** Audit Charter: 2020 - 2021 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 these goals, 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 20, 2021 members of the Committee met with representatives from RIO's independent audit firm, CliftonLarsonAllen. The July 1, 2020 to June 30, 2021 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.*
- 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 18, 2020 and May 20, 2021, 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 18, 2020, the Committee received, reviewed, and approved the June 30, 2020 Financial Audit Report of RIO. On May 20, 2021, the Committee received, reviewed, and approved the 2020 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 18, 2020 and May 20, 2021, 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. Segal conducted a Cybersecurity Assessment and issued a report on February 25, 2021. 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 18, 2020, the Committee received, reviewed, and approved the June 30, 2020 Financial Audit Report of RIO. On May 20, 2021, the Committee received, reviewed, and approved the 2020 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 2021.*

#### 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 was completed on August 13, 2020. 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 2021.*
- Review and approve the annual risk-based audit work plan and all major changes to the plan.
  - *On May 20, 2021 the Committee approved the 2020-2021 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, 2020 and ending March 31, 2021 was provided to the Audit Committee Chair for review prior to being finalized. No changes were made to Internal Audit staffing during fiscal year*



*2021. Salary increases for performance were given to both the Supervisor of Internal Audit and Internal Audit staff member.*

#### 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 PAS Internal Audits Role.*
- Review the adequacy of the organization's policy on risk management.
  - *The administrative manual was revised during the FY 2021, and policies were reported during the quarterly Audit Committee meetings.*
- 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 2021.*

#### 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 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 August 28, 2020, November 20, 2020, February 26, 2021, and May 21, 2021.*
- 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 August 28, 2020 for fiscal year 2020.*

#### 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.
  - *The State Auditor's Office selected CLA as RIO's independent auditors for a three-year contract. There was no need for any other communication with the North Dakota State Auditor's Office.*
- 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 Role with the Pension Administration System Upgrade.*
- 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 inquiries 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 a request to review governance policy and the structure of the SIB in the May 21, 2021 meeting.*
- Institute and oversee special investigations as needed.
  - *No special investigations were instituted or needed during fiscal year 2021.*
- 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 2021 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. No changes have been needed since these revisions.*
- Confirm annually the review of all responsibilities outlined in this charter.
  - *On August 13, 2020, the Committee reviewed and approved of the Charter.*

EMPLOYER  
NEWSLETTER

TFFR

Mission

Statement:

To administer a comprehensive retirement program that provides North Dakota public educators with a foundation for retirement security.

NORTH  
**Dakota**  
Be Legendary.

Teachers' Fund For Retirement  
RETIREMENT & INVESTMENT

## Briefly

MAY 2021

# June-July Reporting of Hourly Wages

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

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

**Salary must be reported in the fiscal year earned, not when paid.**

If the salary was reported in the wrong year, please let us know. We will move the salary back to the correct fiscal year. If the contribution rates between the two years are different, we will also need to correct the over and under payment of contributions.

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

## Deadline: July 15, 2021 -

## Year-end Employer Payment and Reports

The widespread use of the 10-day grace period has had a negative impact on RIO agency fiscal operations at year end. Employers unable to meet this deadline may still request a waiver or extension to the deadline in writing in advance of the 15<sup>th</sup> to avoid a late penalty. The waiver is not automatic, so we strongly encourage you to reach out with any questions or concerns.

## Fiscal Year-End Reminders Checklist

- ✓ **All member records including reemployed retirees must be closed with compensated hours and last date worked.** Compensated hours should be capped at 700 hours for active members. However, do not cap the hours reported for reemployed retirees and report actual compensated hours even if it exceeds 700 hours. (For reemployed retirees, **include** in-staff subbing hours from July 1, 2020 - January 22, 2021, and **exclude** extra-curricular and professional development hours.)
- ✓ **Please be aware of any changes to the last day taught and total hours reported on your June report as it can be affected by the COVID-19 pandemic. TFFR needs to have accurate records for the teachers and re-employed retirees.**
- ✓ Salary needs to be reported when **earned** and not when paid. Members contracted over 9 months, but paid over 10, 11, or 12 months, must be expensed out on the June report which is due July 15.
- ✓ Salary for summer programs must also be reported when **earned** and not when paid. Report June work on the June report and July work on the July report.
- ✓ Payments for unused vacation and/or sick leave should **not** be reported to TFFR.
- ✓ An Employer Payment Plan form must be filed if an employer is changing models. The new model must be implemented at the beginning of the fiscal year (July 1) and must cover all TFFR members. Administrators cannot be covered under a different model. The form should be sent no later than August 15.
- ✓ If you do not have contributions to report for a month, please notify TFFR by e-mail, so we don't send you a late notice.

## What is the “PAS Project” and How is it Going to Affect Me?

Many of you have likely seen our communications regarding the TFFR PAS project over the last two years and we thought it was time to revisit what this project is and how it may affect your efforts and processes relating to TFFR reporting.

The Teachers’ Fund for Retirement’s (TFFR) Pension Administration System (PAS) supports the administration of the TFFR benefits program for over 22,000 active, inactive, and retired members and 213 employers. The current PAS administrator interface is 16 (sixteen) years old and was deployed in 2005 as a client-server application. An employer self-service portal is available to all employers and provides the ability to upload payroll contribution and earnings data files for processing by staff. Employers, however, cannot perform any business rule validations of the member data contained in the file. TFFR staff must perform the validations, evaluate data exceptions and any action for data corrections that are to be addressed and resubmitted by the employer. Currently, 182 of our 213 employers are utilizing the employer self-service portal.

As a result of an extensive evaluation of program needs, and system capabilities and limitations, the TFFR Program is proceeding with a PAS Modernization Project. This project was initiated in 2019 and is expected to continue into 2023. One goal of this project is to increase the efficiency and utilization of the employer self-service portal. We are excited to be able to offer an improved employer reporting experience in the future. We intend to request employer feedback through surveys and employer education and information sessions as we proceed with the project. If you have any questions or concerns about your current employer reporting experience we would very much like to hear from you so that we may incorporate such feedback in our system development. Please don’t hesitate to reach out. Thank you again for all that you do!

## Employer Contribution Rates for 2021-22

TFFR contribution rates will remain the same for the upcoming 2021-2022 school year.

Member Contribution	11.75%
Employer Contribution	12.75%

## TFFR Retirement Education Workshop

TFFR is happy to offer an in-person Retirement Education Workshop (REW) again this year! All teachers are invited to register for this workshop that covers TFFR benefits, Social Security benefits, estate planning, financial information, and retiree health insurance options.

***Bismarck – July 14, 2021***

***Heritage Center Reid Auditorium – 10:00-1:30***

Your help in marketing the REW is always appreciated. To register, TFFR members should complete the online registration found under Events on our [website](#).



## TFFR Retired Member Reemployment

The Education Standards and Practices Board (ESPB) has once again declared all subject areas as critical shortage, except for Administration, for the 2021-22 school year. If you employ a retired TFFR member, a [TFFR Retired Member Employment Notification](#) form must be completed.

## TFFR Fast Facts

Looking for a simple summary of TFFR statistics and plan benefits? Then the 2020 ND TFFR Fast Facts is your answer. The document is available on the NDRIIO [website](#).

# Spring Business Manager Workshop

We were happy to be able to present this year at the Virtual Business Manager Workshop! Although, it is different not being able to see your faces, we did appreciate the opportunity to give an overview of TFFR reporting. We are hoping that next year we can get back on the road and see you all in person!



## ACH Monthly Payment Option

You can send your TFFR monthly payment by ACH. Please contact us if you would be interested in switching to this fast and efficient way to send your TFFR payment and eliminate the need to mail a check each month.

## GASB 67 & 68 Census Data Audits

Each July TFFR's pension plan auditor, CliftonLarsonAllen (CLA), selects eleven participating employers to be included in the census data audit to comply with the Governmental Accounting Standards Board (GASB) 67 and 68 requirements. The selected participating employers will receive notification via email. Employers will be required to provide a master payroll file which includes information such as name, birth date, and gross wages for all employees. CLA auditors will review the information provided and select a sample of individuals for further investigation. CLA will request supporting documentation from the participating employer which may include I-9 forms, employee contracts, and human resource forms.

At the conclusion of the audit, TFFR will issue the Schedule of Pension Amounts by Employer and the Schedule of Collective Pension Amounts which are provided to assist employers and their auditors with GASB 68 compliance. For additional information reference the GASB website at [www.gasb.org](http://www.gasb.org) or the TFFR website at [www.rio.nd.gov](http://www.rio.nd.gov).



# Changing Models?

If your TFFR employer payment model is changing (different model or a change in the amount of pickup under Model 2 or 3), an [Employer Payment Plan form](#) must be filed with TFFR. The model change must be implemented at the beginning of the fiscal year (July 1) and must cover all TFFR members. The form should be sent to TFFR no later than July 31. If you have any questions on the TFFR models, please contact the administrative office.

Enjoy your  
summer!



Teachers' Fund For Retirement  
RETIREMENT & INVESTMENT

## Employer Newsletter

ND Teachers' Fund for Retirement  
3442 East Century Avenue  
PO Box 7100  
Bismarck, ND 58507-7100  
Phone: 701.328.9885  
Toll-Free: 1.800.952.2970  
Website: [www.rio.nd.gov](http://www.rio.nd.gov)

## TFFR Vision Statement:

To be a trusted leader in the administration of a financially sound retirement program for North Dakota educators by providing exceptional customer service, professional plan management, and organizational effectiveness by adhering to the principles of good governance, transparency, and accountability.