

AUDIT COMMITTEE MEETING

Tuesday, August 9, 2022 – 2:30 PM
Workforce Safety & Insurance Conference Room
1600 E Century Ave Suite 1, Bismarck, ND 58503

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AGENDA

- I. Call to Order and Approval of Agenda – Chair (committee action) (5 minutes)
 - a. Welcome new DED/CRO and Accounting Manager
- II. Approval of May 10, 2022 Minutes – Chair (committee action) (5 minutes)
- III. Election of Chair, Vice Chair, and Liaison – Chair (committee action) (5 minutes)
- IV. 2022 - 2023 Affirmation of Code of Conduct Policy – (information) (5 minutes)
- V. Executive Limitations/Staff Relations – Jan Murtha (informational) (10 minutes)
- VI. Update on Current Internal Audit Activities – Sara Sauter (committee action) (30 minutes)
- VII. 2021 - 2022 Year End Audit Activities Report – Sara Sauter (committee action) (20 minutes)
- VIII. 2021 - 2022 Audit Committee Report to SIB – Sara Sauter (committee action) (10 minutes)
- IX. Audit Charter: 2021 - 2022 Review of Responsibilities – Sara Sauter (committee action) (15 minutes)
- X. Other – Next SIB Audit Committee Meeting
Workforce Safety & Insurance Board Room
1600 E Century Ave Suite 1, Bismarck, ND 58503
Tuesday, November 15, 2022 @ 2:30 PM
- XI. 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 10, 2022, MEETING**

MEMBERS PRESENT: Yvonne Smith, PERS Board, Chair
Thomas Beadle, State Treasurer
Julie Dahle, External Representative
Jon Griffin, External Representative
Cody Mickelson, TFFR Board

STAFF PRESENT: Scott Anderson, CIO
Connie Flanagan, CFO/COO
Jayme Heick, Retirement Programs Specialist
Missy Kopp, Exec Assistant
Jan Murtha, Exec Director
Emmalee Riegler, Contracts/Records Assistant
Sara Sauter, Suprv of Internal Audit
Rachelle Smith, Retirement Assistant
Dottie Thorsen, Internal Auditor
Susan Walcker, Sr. Financial Accountant
Dr. Paul White, Chief Risk Officer

GUESTS : Dean DePountis, Attorney General's Office
Paul Niedermuller, CLA
Tonia Shultz, CLA

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 10:05 a.m. on Tuesday, May 10, 2022, at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

The following Audit Committee members were present representing a quorum; Treasurer Beadle, Ms. Dahle, and Mr. Mickelson

AGENDA:

The agenda was considered for the May 10, 2022, meeting.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 10, 2022, MEETING AS DISTRIBUTED.

AYES: MS. DAHLE, TREASURER BEADLE, AND MR. MICKELSON

NAYS: NONE

MOTION CARRIED

ABSENT: MR. GRIFFIN AND MS. SMITH

MINUTES:

The minutes were considered for the February 16, 2022, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE FEBRUARY 16, 2022, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, TREASURER BEADLE, AND MS. DAHLE

NAYS: NONE

MOTION CARRIED

ABSENT: MR. GRIFFIN AND MS. SMITH

2022 FISCAL YEAR (FY) FINANCIAL AUDIT SCOPE AND APPROACH:

Mr. Niedermuller and Ms. Shulz, CliftonLarsonAllen (CLA), reviewed the engagement scope, work plan, significant financial audit areas, external audit/internal audit interplay, government pension data analytics, information technology, and the timeline of work. Ms. Shulz also reviewed trustee fiduciary duties and opportunity to identify risks that should be assessed.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2022 FY FINANCIAL AUDIT SCOPE AND APPROACH.

AYES: TREASURER BEADLE, MS. DAHLE, MR. MICKELSON, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. GRIFFIN

EDUCATION – MANAGER SELECTION:

Mr. Anderson presented education on the SIB's investment manager selection process. Any investment plan has an asset allocation which is split into asset classes and implemented externally by external managers and internally by staff. There is a process to select the external managers then monitor their performance. Mr. Anderson summarized the capabilities of a good manager and their impact to the fund, the activities and tasks in the manager selection process, and how staff screen and narrow the field of managers.

EXECUTIVE LIMITATIONS/STAFF RELATIONS:

Ms. Murtha provided an update on staffing at RIO. The Deputy Executive Director/Chief Retirement Officer initial interviews will take place this month. The job description for the Chief Financial Officer/Chief Operating Officer has been updated and a reclassification request was submitted to HRMS. Staff received a verbal denial of the request but are waiting for the written denial so they can appeal. Staff plan to post the position at the current classification while the appeal is pending. The Accounting Manager interviews have been scheduled. Staff have received confirmation of classification for the investment positions and the pay grade exception for the current investment position. Project kick-off has occurred for the Legacy Fund Asset Allocation study, the Pension Administration System project, and Northern Trust is scheduled to come onsite to review opportunities to increase collaboration and information flow. Ms. Murtha also reviewed open record and media requests, board member email account setup, and board and committee presentations done by staff.

EXECUTIVE DIRECTOR REQUESTS:

Ms. Murtha shared information about the need for additional IA time dedicated to agency strategic planning and budget development relating to IA services. Extra time for this has been included in the IA workplan. Governance is the most important piece to ensuring the program changes occur and IA is a large piece of good governance. There is a need to plan for auditing functions to grow when budgeting and assess which items should be outsourced and future FTE needs.

THIRD QUARTER AUDIT ACTIVITIES:

Ms. Sauter provided an update on third quarter IA activities ending March 31, 2022. The review of the Administrative Manual has started and will be ongoing. The Executive Limitation audit was completed and reported to the SIB at their February 25, 2022, meeting. IA assisted the Executive Review committee with administration of the SIB self-assessment evaluation and the annual evaluation of the Executive Director. IA assisted with the development of a new standing Governance and Policy Review committee for the SIB. IA staff participated in RIO's strategic planning process along with other agency staff. The Succession Planning Phase I report was presented to the Audit Committee on February 16, 2022 and contained four recommendations. Phase II is in progress.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE THIRD QUARTER AUDIT ACTIVITIES REPORT.

AYES: MR. GRIFFIN, MS. DAHLE, MR. MICKELSON, TREASURER BEADLE, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

2022-23 INTERNAL AUDIT WORKPLAN AND BUDGETED HOURS:

Ms. Sauter presented the 2022-23 IA workplan and budgeted hours. The workplan represents what IA anticipates will be accomplished in the upcoming fiscal year, however, needs and priorities may change and require changes to the workplan.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE 2022-23 IA WORKPLAN AND BUDGETED HOURS.

AYES: MS. DAHLE, TREASURER BEADLE, MR. GRIFFIN, MR. MICKELSON, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

CURRENT INTERNAL AUDIT ACTIVITIES:

Ms. Sauter provided an update on current IA activities. IA has multiple audits in progress including the RIO policy manual update, ongoing Pension Administration System meetings, TFFR file maintenance, and phase two of succession planning. IA will be aiding our external auditors CLA for the RIO financial and the GASB 68 census data audits, and work with staff on the annual Risk Management Report.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE CURRENT IA ACTIVITIES REPORT.

AYES: MR. GRIFFIN, MR. MICKELSON, TREASURER BEADLE, MS. DAHLE, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

2022-23 SIB AUDIT COMMITTEE SCHEDULE:

A proposed meeting schedule for 2022-23 was presented to the Committee for their consideration.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE 2022-23 SIB AUDIT COMMITTEE SCHEDULE.

AYES: TREASURER BEADLE, MS. DAHLE, MR. MICKELSON, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

2022-23 SIB AUDIT COMMITTEE MEMBERSHIP:

Each July, the SIB is required to review and approve appointments to the SIB Audit Committee. Ms. Sauter requested that the Committee members notify her of their intent to continue to serve for the period of July 1, 2022 – June 30, 2023.

OTHER:

The next Audit Committee meeting is scheduled for Tuesday, August 9, 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, Treasurer Beadle adjourned the meeting at 11:57 a.m.

Respectfully Submitted:

Missy Kopp
Assistant to the Board

MEMORANDUM

To: SIB Audit Committee

From: Paul White, Chief Risk Officer

Date: 14 July 2022

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. 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

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

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

TO: State Investment Board
FROM: Jan Murtha, Executive Director
DATE: July 19, 2022
RE: Executive Limitations/Staff Relations

Ms. Murtha will provide a verbal update at the meeting on agency efforts to address current and future organizational risk through strategic planning. Including updates on the following topics:

1. Retirements/Resignations/FTE's/Temporary Assistance:

Additional updates regarding ongoing discussions with HRMS related to classification and reclassification requests will be provided at the meeting. A copy of the updated organization chart is included for your reference.

Employee Title	Status
Deputy ED – Chief Retirement Officer	Position Filled. Start date 7/11/22.
Chief Fiscal Officer/Chief Operating Officer	Offer Accepted. Start date 8/22/22. Reclassification appeal pending HRMS.
Legal Intern	Position filled. Start date June 6 through July 22.
Investment #1	Posted in June, closed 6/27/22. Interviews scheduled.
Investment #2	Posted in June, closed 6/27/22. Interviews scheduled.
Investment #3	Posted in June, closed 6/29/22. Interviews pending.
Investment #4	Posted in June, closed 7/5/22. Interviews pending.
Accounting #1	Position Filled. Start date 6/13/22.
Programs Coordinator	Anticipate posting first week of August.

2. Current Project Activities/Initiatives:

- **Legacy Fund Asset Allocation Study** – RVK continues its work on the Legacy Fund Asset Allocation Study and provided preliminary considerations/recommendations to the Advisory Board on June 30, 2022.
- **TFFR PAS Project** (hereinafter TFFR “Pioneer Project”)– The TFFR Pioneer Project continues with implementation consistent with the project plan. The amount of time spent on the project by various staff members currently varies from 5 to 25 hours or more per week.
- **Northern Trust Initiative** – In an effort to enhance the infrastructure for the investment program the Investment and Fiscal teams are leading an initiative to coordinate with Northern Trust for additional functionality/capabilities.
- **Board Member Email Accounts:** State email accounts have been created for all SIB, TFFR, and committee members that are non-state employees. During the month of August RIO administrative staff will reach out to schedule an introduction/transition to these accounts with affected Board members.

3. RIO Board & Committee Presentations – June 1 through July 31, 2022

Staff provided or is scheduled to provide the following presentations to Boards and Committees during the above referenced time period.

- **Cultural Endowment Fund Meeting – 6/3/22**
- **Employee Benefits Programs Committee – 6/21/22**
- **Legacy Fund Earnings Committee – 6/22/22**
- **Advisory Board (Legacy) – 6/30/22**
- **TFFR GPR Committee – 7/7/22**
- **TFFR – 7/21/22 (scheduled)**
- **SIB – 7/22/22 (scheduled)**
- **SIB GPR Committee – 7/27/22 (scheduled)**

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: August 9, 2022

SUBJECT: Update on Current Internal Audit Activities

Internal Audit (IA) 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

- Executive Limitations – Phase I
- Model 2 Partial Review – Phase I
- PAS –Pension Administration Software – Stage 3
- RIO Policy Manual update – Phase 2
- Succession Planning Phase II
- TFFR File Maintenance – Phase 4

IA staff met with the Retirement Program Manager and the Employer Services Coordinator to monitor the progression on correcting the errors found in the Participant Data/Salary Verification Audit. The report was issued in May of 2021. The tracking document should be complete the first quarter of fiscal year 2022.

The Internal Auditor has completed the fieldwork for Phases I, II, and III of the TFFR File Maintenance Audit. Retirement Services responded to the IA questions found on table reports, monthly reports, address changes, direct deposit authorizations, member actions forms and posting deaths to the demographic page of CPAS. IA will complete the draft audit report in the first quarter of 2022/23. The completed report with recommendations will be included in the November Audit meeting materials.

IA is providing assistance to our external audit partners, CliftonLarsonAllen (CLA), during the 2021/2022 financial audit of the RIO as well as the GASB 68 census data audits. CLA was onsite for the preliminary audit work in June 2021. They are scheduled to be onsite at RIO the week of August 29, 2022 to complete fieldwork. The Supervisor of IA sent the GASB 68 correspondence to the employer sample selected by CLA in July of 2022.

RIO started Stage 3 of the PAS project during the fourth quarter of fiscal year 2021/22. The Executive Steering Committee signed a contract with Sagitec for the PAS system. RIO Staff held a contest and named the project PIONEER. IA staff attended the Kick-off meetings for Stage 3 scheduled on May 16 and 17 of 2022. IA staff has also attended multiple meetings during the months of June, July, and August of 2022. In each meeting, RIO staff and Sagitec staff review and clarify the list of the RIO requirements for PIONEER. Some of the procedure requirement reviews to date included accounting, activity tracking, annual statements, benefit estimates, business rules, deaths, disabilities, dual members, employer

accounting, enrollment, financial processing, interest, payroll/other payments, member and beneficiary maintenance, purchases, records retention, refunds, retirement calculations, report management, statistical reporting, tax reporting, and workflow.

IA staff attended multiple meetings on the upcoming actual audit timeline. The last Actuarial Audit occurred in 2016. RIO staff worked with procurement in developing the RFP timeline. The TFFR Board approved the RFP which was issued 7/22/2022 The RFP can be found in the July 2022 TFFR meeting materials. IA will be participating in the procurement process for the actuarial audit.

As part of the Executive Limitation Audit, the Supervisor of IA will send customer surveys to investment clients in August 2022 to determine how well the SIB, through the staff of the RIO, is meeting client expectations. The survey is part of the SIB's ongoing effort to be more responsive to client needs and continually improve the service provided.

The Supervisor of IA attended multiple SIB Governance and Policy Review Committee meetings.

The Supervisor of IA is working with the Executive Team and procurement to have a formal review of the IA division. With substantial changes within the RIO organization in both programs it is crucial to ensure that IA can continue to meet the needs of the agency. The review will encompass staff needs, technology, investment audits, etc.

IA staff attended the following meetings: Management, Meet and greet meetings with the Deputy Executive Director/Retirement Office – Chad Roberts, staff, TFFR, SIB, and the Fiscal/Retirement Services Organization meetings.

In the Fiscal/Retirement Services Organization meeting, the Deputy Director/Chief Investment Officer, Fiscal Services staff, Retirement Services staff, and the Internal Auditor met to discuss the timeline for year-end activities – employer year-end, external audit, actuarial for Segal, and annual statements to active members.

IA had Division meetings to discuss audit projects for the first quarter 2022.

Upcoming Audit Activities

IA will continue providing assistance to our external audit partners, CliftonLarsonAllen (CLA), during the financial audit of the RIO as well as the GASB 68 census data audits. CLA will be coming onsite for the audit fieldwork the week of August 29,2022.

The Executive Director, Executive Assistant, and Supervisor of IA will continue reviewing the Administrative Manual for RIO to make updates and changes as needed.

The Internal Auditor will complete Phase I for the Model 2 Partial Audit and send requests for audit information to the employers.

#	Topic	Recommendation	Source	Identified	Owner	Expected Start Date	Expected Completion Date	Status
1	Employer Reporting	Apple Creek - The following two errors were noted: A portion of the eligible after-school salary paid was not reported to TFFR. This error resulted in a shortage of contributions. Secondly, the employer submitted payroll records that did not meet Model 2 Partial reporting compliance. The amount of the TFFR contribution deducted from the member's salary did not meet the 9.75% required by the employer payment plan submitted to TFFR. RS's should request the master payroll file to ensure that the errors were not systemic issues affecting other members, or contact the business manager to verify that the errors are not systemic and correct the account.	Segal Current Business Model Review	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	Do not have business manager or principal there have been issues getting information to look into the partial model 2 compliance. Correction was made for after-school salary for the member.
2	Employer Reporting	Belcourt - The following two errors were noted. First, the employer reported grant salary in the wrong fiscal year to TFFR. Secondly, comp-time was issued to a member for eligible administrative duties. At fiscal year-end, salary was paid for comp-time not taken. The eligible salary (comp-time) for the administrative duties was not reported to TFFR. IA recommends that the grant salary be moved to the correct year and also correct the member account for the shortage of salary not reported. RS should request the master payroll file to ensure that the errors were not systemic issues affecting other members, or contact the business manager to verify that the errors are not systemic. IA has recommended correcting the two accounts.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	Correction was made for the members for salary reported in the wrong year and comp-time not being reported. Another member was found to have salary reported in the wrong year. This member has since retired and follow up with the Chief Retirement Officer is needed.
3	Employer Reporting	Bowbells - The employer did not report eligible school improvement salary to TFFR. This caused a shortage of salary and contributions. RS's should request the master payroll file to ensure that the error was not a systemic issue affecting other members, or contact the business manager to verify that the errors are not systemic. IA recommends correcting the account.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	Correction was made for the member and found this was a systemic issue affecting three more members. Those members have also now been corrected.
4	Employer Reporting	Center- Stanton- The employer reported salary and contributions that exceeded the eligible amount. IA could not tie the overpayment to a single salary code. The member was paid cash in lieu of a health benefit, but the amount overpaid was not the same as the cash in lieu amount paid. RS should request the master payroll file to ensure that the error was not a systemic issue affecting other members, or contact the business manager to verify that the error did not affect other members. IA recommends correcting the account.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	This error did not affect any other members and the members account was corrected.

5	Employer Reporting	Devil's Lake - The following two errors were noted. The travel time paid for moving between schools is eligible salary that was not reported to TFFR for one member. As part of the member's teaching position, the member travels between multiple schools throughout the days of the week. This caused a shortage of salary and contributions to be reported. For the second error, extra-curricular hockey supervision was not reported (immaterial amount). For errors' one and two, RS's should request the master payroll file or contact the business manager to ensure the error did not affect other members. IA recommends correcting the account for error one. The second error was an immaterial amount that IA does not recommend correcting.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	The travel time paid and supervision of extra-curricular was not reported and was a systemic issue. The corrections have been made for the members.
6	Employer Reporting	Drayton - The employer reported student council salary in the wrong fiscal year. The salary must be reported in the fiscal year in which it was earned, regardless of when it is paid. The salary should be moved to the correct fiscal year. RS's should contact the business manager to ensure that the error is not a systemic issue affecting other members. IA recommends correcting the account.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	The members account has been corrected and no other members account were affected by this error.
7	Employer Reporting	Dunseith - The employer reported an incorrect amount of contract salary. The error caused an overpayment of salary and contributions. RS's should contact the business manager to ensure that the error is not a systemic issue affecting other members. IA recommends correcting the account.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	The members account has been corrected and no other members account were affected by this error.
8	Employer Reporting	Elgin - The employer reported 2017-18 sixth period salary in the wrong fiscal year. The salary must be reported in the fiscal year in which it was earned, regardless of when it is paid. The salary should be moved to the correct fiscal year. IA recommends correcting the account.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	The members account has been corrected. Still working on getting information to see if this was a systemic issue as business manager is non-responsive.
9	Employer Reporting	Glenburn - The employer reported ineligible bus driving salary and a leave payout amount. This caused an overpayment of salary and contributions. RS should request the master payroll file or contact the business manager to ensure these errors did not affect other members. IA recommends correcting the account.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	The members account has been corrected and no other members account were affected by this type of error.
10	Employer Reporting	Halliday - The employer did not report eligible IT Coordinator and contract salary that resulted in a shortage of contributions for one member. The error also caused the wrong number of service hours to be reported (part-time position). RS's should contact the business manager to ensure that these errors did not affect any other members. IA recommends correcting the account.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	The members account has been corrected and no other members account were affected by this type of error.

11	Employer Reporting	Hettinger - The employer did not report eligible extra-curricular salary to TFFR: playground supervision and pool assistant salary (swimming lessons). The error caused a shortage in contributions. RS's should request the master payroll file or contact the business manager to ensure that these errors are not systemic issues affecting other members. IA recommends correcting the account.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	Correction was made for the member and found this was a systemic issue affecting more members and four years. Those members have also now been corrected.
12	Employer Reporting	James River Multi-District Special Education - The employer programming of deductions caused an error in reporting salary to TFFR. The error caused a shortage in contributions. RS should request the master payroll file or contact the business manager to ensure that this deduction is not a systemic issue affecting other members. IA recommends correcting the account.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	The members account has been corrected and no other members account were affected by this type of error. An additional year for the member also needed to be corrected for this error.
13	Employer Reporting	Maple Valley - The employer did not report eligible subbing salary. The employer sent the 2017-18 and 2018-19 salary records. The error was isolated: subbing was reported one year and not the next year. Since the amount of salary not reported was immaterial (less than \$300.00), IA is not recommending a correction to the member's account. RS's should ask the business manager to ensure that error is not a systemic issue affecting other members.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	It did affect other members, however, all amounts were immaterial. Business manager has made the adjustment to correct error going forward.
14	Employer Reporting	Nesson - The employer corrected a deduction error and reported the ineligible adjustment to TFFR. The error caused an overpayment of contributions. IA recommends correcting the account.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	The members account was corrected.
15	Employer Reporting	Sheyenne Valley Special Ed - The employer submitted payroll records that did not meet Model 2 Partial reporting compliance. The amount of the TFFR contribution deducted from the member's salary did not meet the 2.0 percent required by the employer payment plan submitted to TFFR. RS's should request the master payroll file to ensure that the error is not a systemic issue affecting other members, or contact the business manager to verify that the error does not affect other members.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	The employer moved to Model 2 Full payment plan and had not notified TFFR. The current fiscal year is corrected going forward for the payment plan.
16	Employer Reporting	Wahpeton - The employer did not report eligible extra-curricular salary (thespians) to TFFR. There was also an error with the programming of deductions. These errors caused a shortage of contributions. The error with the thespian salary had already occurred with another member (correction was found in the Employer's FileNet account). RS's should request the master payroll file or contact the business manager to ensure that these errors do not affect other members. IA recommends correcting the account for fiscal years 2017-18 and 2018-19.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	The members account has been corrected. Still researching to see if it was a systemic issue or not.

17	Employer Reporting	IA recommends that RS's validate model 2 partial percentages on an annual basis for one member from the employer during first or second quarter of the fiscal year to ensure model compliance with the employer payment plan submitted to TFFR.	Salary Verification Audit	5/11/2021	Retirement Service Manager / Employer Service Coordinator	8/1/2021	6/30/2022	
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**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES DIVISION
BUDGETED VS. ACTUAL HOURS FOR FISCAL YEAR 2015-2016**

	2015-2016 BUDGET HOURS (2 FTE'S)
1. Audit	
Retirement Program Audits:	
TFFR Employer Compliance Audits	1,890
REA Audit(s)	75
Benefit Payments Audit	50
TFFR File Maintenance Audit(s)	80
Annual Salary Verification Project	65
TFFR Cost Effective Benefit Payments/Benefit Recalculation	80
Agency Administrative and Investment Audits	
Executive Limitation Audit	90
Investment Performance Summary Review	60
Schedule of Investment Fees Review	60
Investment Management Fees Review	60
RIO External Auditor Assistance	40
Special Projects	120
Total Audit Hours:	2,670
2. Administrative	
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	400
Audit Committee/SIB/TFFR Attendance and Preparation	250
Professional Development/CE/General Education	160
Audit Services Procedure Manual	120
Annual Leave, Sick Leave, and Holidays	592
Total Administrative Hours:	1,522
Total Hours for 2015-2016:	4,192

Total Hours for 2015-2016: 4,192
D. Thorsen Total Hours 2015-2016: 2,096
T. Miller Bowley Hours 2015-2016: 2,096

1st Quarter Actual Hours	2nd Quarter Actual Hours	3rd Quarter Actual Hours	4th Quarter Actual Hours	2015- 2016 Actual Hours	Actual vs. Budgeted Hours Over/(Under)
522	601	395	359	1,877	(13)
8	4	8	0	19	(56)
126	0	0	3	129	79
57	45	53	189	343	263
0	0	121	4	125	60
0	0	0	10	10	(71)
6	40	59	13	117	27
0	11	2	0	13	(47)
0	0	0	0	0	(60)
0	0	0	0	0	(60)
16	4	0	2	21	(19)
0	0	0	0	0	(120)
734	704	638	578	2,654	(16)
128	121	139	281	669	269
72	53	55	58	237	(13)
7	43	14	49	113	(48)
7	10	0	8	25	(96)
111	132	196	71	509	(83)
325	359	402	466	1,552	30
1,059	1,063	1,040	1,045	4,206	14
25%	51%	75%	100%		

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES DIVISION
BUDGETED VS. ACTUAL HOURS FOR FISCAL YEAR 2016-2017**

	2016-2017 BUDGET HOURS (2 FTE'S)
1. Audit	
Retirement Program Audits:	
TFFR Employer Audits	2,051
REA Audit	40
Benefit Payments Audit	40
TFFR File Maintenance Audit(s) - Quarterly (20 hours per audit)	60
Annual Salary Verification Project	95
TFFR Cost Effective Benefit Payment Audit/Benefit Recalculation(s)	0
ACL Software Project	95
	2,381
Agency and Investment Audits:	
Executive Limitation Audit	95
Investment Performance Summary Review	95
Schedule of Investment Fees/Investment Management Fees Review	0
RIO External Auditor Assistance	25
Audit Services Procedure Manual	200
	415
Total Audit Hours:	2,796
2. Administrative	
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	450
Audit Committee/SIB/TFFR Attendance and Preparation	250
Professional Development/CE/General Education	80
Annual Leave, Sick Leave, and Holidays	600
Total Administrative Hours:	1,380
Total Hours for 2016-2017:	4,176

Total Hours for 2016-2017: 4,176

D. Thorsen Total Hours 2016-2017: 2,088

T. Miller Bowley Hours 2016-2017: 2,088

1st Quarter Actual Hours	2nd Quarter Actual Hours	3rd Quarter Actual Hours	4th Quarter Actual Hours	2016- 2017 Actual Hours	Actual vs. Budgeted Hours Over/(Under)
504	550	579	339	1,971	(80)
0	0	0	0	0	(40)
89	0	0	5	93	53
26	37	25	4	92	32
0	0	6	97	103	8
26	2	0	0	28	28
0	0	0	0	0	(95)
9	2	74	12	96	1
0	0	0	0	0	(95)
0	0	0	0	0	0
13	0	0	1	14	(11)
15	12	0	0	27	(173)
683	603	683	457	2,425	(371)
126	153	152	316	746	296
63	29	68	43	203	(47)
15	20	8	54	97	17
171	236	129	170	706	106
374	438	357	583	1,751	371
1,056	1,040	1,040	1,040	4,176	0
25%	25%	25%	25%	100%	

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
 AUDIT SERVICES DIVISION
 BUDGETED VS. ACTUAL HOURS FOR FISCAL YEAR 2017-2018**

	2017-2018 BUDGET HOURS (2 FTE'S)
1. Audit	
Retirement Program Audits:	
TFFR Employer Audits	2,120
Benefit Payments Audit	138
TFFR File Maintenance Audit(s)	277
Annual Salary Verification Project	100
	2,635
Agency and Investment Audits:	
Executive Limitation Audit	111
Risk Assessment	0
RIO External Auditor Assistance	30
	141
Total Audit Hours:	2,776
2. Administrative	
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	530
Audit Committee/SIB/TFFR Attendance and Preparation	230
Professional Development/CE/General Education	16
Annual Leave, Sick Leave, and Holidays	608
Total Administrative Hours:	1,384
Total Hours for 2017-2018:	4,160

Total Hours for 2017-2018: 4,160
 Actual Hours for 2017-2018: 3820
 D. Thorsen Total Hours 2016-2017: 2,080
 T. Miller Bowley Hours 2017-2018: 696
 S. Sauter 2017-2018 Hours: 1,044

1st Quarter Actual Hours	2nd Quarter Actual Hours	3rd Quarter Actual Hours	4th Quarter Actual Hours	2017- 2018 Actual Hours	Actual vs. Budgeted Hours Over/(Under)
390	353	285	334	1,361	(759)
162	8			170	32
47	23	51	30	150	(127)
2			134	136	36
9	10	166	12	198	87
0	0	0	4	4	4
14	0	0	3	17	(13)
624	394	501	517	2,036	(740)
166	217	287	211	881	351
43	34	111	179	367	137
10	23	4	25	62	46
198	197	146	120	660	52
417	470	548	535	1,970	586
1,041	864	1,049	1,052	4,006	(154)
25%	21%	25%	25%	96%	

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

	2018-2019 BUDGET HOURS (2 FTE'S)
1. Audit	
Retirement Program Audits:	
TFFR Employer Audits	960
TFFR Cost Effective Benefit Payment Audit	140
TFFR File Maintenance Audit(s)	30
TFFR Purchase-Refund Audit	90
TFFR Benefits Audit - Deaths, Long-Outstanding Checks, Long-term Members	0
Annual Salary Verification Project	120
	1,340
Agency and Investment Audits:	
Executive Limitation Audit & Executive Review Committee	200
Agency Risk Assessment	150
Investment Audits (Investment Due Diligence)	690
Internal Control Assessment	120
Quarterly Portfolio Monitoring Testing	120
RIO External Auditor Assistance	60
	1,340
Total Audit Hours:	2,680
2. Administrative	
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	450
Audit Committee/SIB/TFFR Attendance and Preparation	380
Professional Development/CE/General Education	18
Annual Leave, Sick Leave, and Holidays	632
Total Administrative Hours:	1,480
Total Hours for 2018-2019:	4,160

Total Hours for 2018-2019: 4,160
Actual Hours for 2018-2019: 4,160
D. Thorsen Total Hours 2018-2019: 2,080
S. Sauter 2018-2019 Hours: 2,080

1st Quarter Actual Hours	2nd Quarter Actual Hours	3rd Quarter Actual Hours	4th Quarter Actual Hours	2018- 2019 Actual Hours	Actual vs. Budgeted Hours Over/(Under)
226	142	104	156	628	(333)
2	162	154	31	349	209
			12	12	(18)
		51	43	94	4
		2	2	3	3
		56	142	198	78
7	11	148	59	225	25
206	7	14		227	77
	53	10	40	103	(587)
				0	(120)
				0	(120)
23	4	0	3	30	(30)
464	378	539	487	1,868	(812)
180	221	197	231	830	380
186	189	140	144	659	279
1	34	4	23	62	44
209	218	159	155	742	110
576	662	501	553	2,292	812
1,040	1,040	1,040	1,040	4,160	(0)
25%	25%	25%	25%	100%	

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES DIVISION
BUDGETED VS. ACTUAL HOURS FOR FISCAL YEAR 2019-2020**

	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%	

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT DIVISION
BUDGETED VS. ACTUAL HOURS FOR FISCAL YEAR 2020-2021**

	2020-2021 BUDGET HOURS (2 FTE'S)
1. Audit	
Retirement Program Audits:	
TFFR Employer Salary Reviews	700
TFFR Cost Effective Benefit Payment Audit	300
TFFR Purchase-Refund Audit	150
TFFR File Maintenance	200
Pension System Upgrade	100
TFFR Direct Deposit Reviews	0
Benefits Audit - Deaths, Long-Outstanding Checks, Long-term Members	0
TFFR Task List Project	100
TFFR QDRO Review	100
	1,650
Agency and Investment Audits:	
Executive Limitation Audit & Executive Review Committee	200
Internal Control Assessment	100
Cash Management & Rebalancing	100
Investment Confirmation Audit	100
General Consulting	55
Executive Auditor Assistance	80
Portfolio Monitoring Procedures	40
Vendor Due Diligence Review	150
Fraud Training - Consulting	40
Administrative Manual	60
Risk Management	0
Governance Review	0
	925
Total Audit Hours:	2,575
2. Administrative	
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	300
Audit Committee/SIB/TFFR Attendance and Preparation	510
Professional Development/CE/General Education	80
Annual Leave, Sick Leave, and Holidays	695
Total Administrative Hours:	1,585
Total Hours for 2021-2022:	4,160

Total Hours for 2020-2021: 4,160
Actual Hours for 2020-2021: 4,160
D. Thorsen Total Hours 2020-2021: 2,080
S. Sauter 2020-2021 Hours: 2,080

1st Quarter Actual Hours	2nd Quarter Actual Hours	3rd Quarter Actual Hours	4th Quarter Actual Hours	2020- 2021 Actual Hours	Actual vs. Budgeted Hours Over/(Under)
199	213	295	127	834	134
8	0	0		8	(292)
0	0	0	0	0	(150)
1	0	1	61	63	(137)
83	128	82	79	372	272
41	6	0	0	47	47
			4	4	4
59				59	(41)
				0	(100)
12	14	177	45	248	48
18	15			33	(67)
				0	(100)
				0	(100)
36	16	23	6	81	26
63	16	4	8	91	11
				0	(40)
				0	(150)
				0	(40)
28	21	31	5	85	25
17	9		14	40	40
			80	80	80
				0	0
565	438	614	428	2,044	(531)
146	166	119	311	743	443
159	133	152	139	583	73
7	86	3	8	104	24
167	218	153	155	693	(2)
479	603	428	612	2,122	537
1,044	1,041	1,041	1,040	4,166	(6)
25%	25%	25%	25%	100%	

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT DIVISION
BUDGETED VS. ACTUAL HOURS FOR FISCAL YEAR 2021-2022**

	2021-2022 BUDGET HOURS (2 FTE'S)
1. Audit	
Retirement Program Audits:	
TFFR Employer Salary Reviews	700
TFFR File Maintenance Audit(s)	210
TFFR Purchase-Refund Audit	160
TFFR Death Audit	110
Pension System Upgrade	400
Actuarial Audit	0
Direct Deposits Reviews	0
	1,580
Agency and Investment Audits:	
Executive Limitation Audit & Executive Review Committee	210
Internal Control Assessment	115
Cash Management & Rebalancing	200
Investment Confirmation Audit	100
General Consulting	60
Executive Auditor Assistance	160
Executive Search Committee	0
Governance Review	0
Strategic Review	0
Internal Audit RFP	0
Risk Management	0
RIO Succession Planning	0
Administrative Policy	0
	845
Total Audit Hours:	2,425
2. Administrative	
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	450
RIO Move	0
Audit Committee/SIB/TFFR Attendance and Preparation	510
Professional Development/CE/General Education	80
Annual Leave, Sick Leave, and Holidays	695
Total Administrative Hours:	1,735
Total Hours for 2021-2022:	4,160

Total Hours for 2021-2022: 4,160
Actual Hours for 2021-2022: 4,160
D. Thorsen Total Hours 2021-2022: 2,080
S. Sauter 2021-2022 Hours: 2,080

1st Quarter Actual Hours	2nd Quarter Actual Hours	3rd Quarter Actual Hours	4th Quarter Actual Hours	2021- 2022 Actual Hours	Actual vs. Budgeted Hours Over/(Under)
39	35	62	80	216	(484)
66	0	133	163	362	152
0	0	0	0	0	(160)
0	29	11	0	40	(70)
131	34	12	88	265	(135)
			3	3	3
	2	1		3	3
7	28	157	52	243	33
				0	(115)
				0	0
				0	(100)
34	0	3	4	41	(20)
26	3	0	19	48	(112)
13	16	0	0	29	29
56	38	1	2	97	97
		8		8	8
			3	3	3
	1		2	3	3
132	78	38	6	253	253
6	2	12	8	28	28
510	265	437	429	1,641	(584)
152	253	174	294	873	423
0	123	0	0	123	(123)
210	156	172	181	719	209
0	69	22	4	95	15
193	184	249	135	760	65
555	785	617	613	2,570	589
1,065	1,050	1,054	1,042	4,210	(50)
26%	25%	25%	25%	101%	

MEMORANDUM

TO: SIB Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: August 9, 2022

SUBJECT: 2021-2022 Year End Audit Activities Report

Audit coverage was based on the July 1, 2021, through June 30, 2022, work plan approved by the SIB Audit Committee in May of 2021. 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 2021-22 that altered the original work plan. The events were as follows: Staff members resignations and retirements occurred leaving the agency significantly short staffed. Several audits planned were not completed because the time was used in other areas or projects defined as a higher priority.

INTERNAL AUDIT ACTIVITIES:

- **Executive Limitation Audit**

AUDIT PLAN REQUIREMENTS: The Executive Director'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 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.

2021-2022 ACTUAL ACTIVITIES:

- The Executive Limitation Audit was completed on February 25, 2022.
- The Executive Director Effectiveness Survey was completed April 2022.
- The SIB Executive Review Committee Survey was completed April 2022.
- The SIB Client Survey was completed and reported on October 22, 2021.

- **SIB Self-Assessment**

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.

2021-2022 ACTUAL ACTIVITIES:

- IA worked with the Executive Review Committee on administering the Board Self-Assessment Survey and reported the results to the SIB on February 25, 2022.

- **SIB Board Governance Review**

AUDIT PLAN REQUIREMENTS: This review was added in May 2021 and was not a part of the original audit work plan. 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.

2021-2022 ACTUAL ACTIVITIES:

- The review was completed in October 2021. The Audit Committee presented its recommendations to the SIB in November 2021.

• **SIB Executive Search Committee**

AUDIT PLAN REQUIREMENTS: This assistance was added in July 2021 and was not a part of the original audit work plan. 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 assisted in the search for Executive Recruitment Services through the RFP process with ND Procurement. The Supervisor of IA also attended the Executive Search Committee meetings and met with the selected Executive Recruitment Consultant, EFL Associates.

2021-2022 ACTUAL ACTIVITIES:

- The SIB voted to split the Executive Director/Chief Investment Officer positions in August 2021. The Executive Search Committee was given the priority to fill the Chief Investment Officer position first. This position was filled in December 2021 and the Executive Director position was filled in November 2021.

• **RIO Succession Planning Phase I**

AUDIT PLAN REQUIREMENTS: This review was added in August 2021 and was not a part of the original audit work plan. First, IA reviewed the vacated positions to ensure proper documentation of their responsibilities and that all responsibilities were transferred to the new positions developed in the reorganization of RIO. Secondly, IA reviewed the risks facing the investment program. This review was requested by RIO management in August 2021 after the resignation and retirement of multiple staff members.

2021-2022 ACTUAL ACTIVITIES:

- Succession Planning Phase I was completed and presented to the audit committee on February 16, 2022.

• **RIO External Auditor Assistance**

AUDIT PLAN REQUIREMENTS: IA will assist the external auditor, CliftonLarsonAllen (CLA), with a variety of tasks related to the annual financial audit of RIO and the GASB 68 census data audits.

2021-2022 ACTUAL ACTIVITIES:

- IA provided assistance to our external audit partners CLA during the 2021 financial audit of RIO as well as the GASB 68 census data audit.

• **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.

2021-2022 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.

• **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.

2021-2022 ACTUAL ACTIVITIES:

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

• **Cash Management and Rebalancing Audit**

AUDIT PLAN REQUIREMENTS: Internal Audit will conduct a review of procedures of the cash management and rebalancing of the investment allocations

2021-2022 ACTUAL ACTIVITIES:

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

• **Administrative Manual Update - Consulting**

AUDIT PLAN REQUIREMENTS: The Deputy Executive Director/Chief Retirement Officer, Executive Assistant, and Supervisor of IA will meet to review existing policies, recommending additional policies, and ensuring compliance with administrative policies.

2021-2022 ACTUAL ACTIVITIES:

- This is an ongoing project. The Administrative Manual will be continually reviewed and updated.

• **RIO Strategy Plan**

AUDIT PLAN REQUIREMENTS: The strategic plan was not a part of the original work plan. RIO undertook the development of a comprehensive strategic plan by partnering with other state agencies who are leading such efforts. RIO had accepted an invitation to participate in a strategic planning project with ITD, with the kick-off in January 2022. RIO is also collaborating with HRMS for the strategic planning of staffing needs.

2021-2022 ACTUAL ACTIVITIES:

- IA participated in strategic planning meetings with RIO staff. A formal presentation was presented to the Governor’s Office by RIO’s Executive staff in March 2022. Presentations were also given to RIO staff, TFFR, and SIB in March 2022.

• **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 2021-2022.

2021-2022 ACTUAL ACTIVITIES:

- No employer reviews were completed in FY 2022.

- **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.

2021-2022 ACTUAL ACTIVITIES:

- The Annual Salary Verification-Participant Data Review report for fiscal year 2018-19 was issued May 11, 2021. Internal Audit worked with Retirement Services as they corrected the errors this past year.

- **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 for deaths 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.

2021-2022 ACTUAL ACTIVITIES:

- Since the existing consultant 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 presentation of their product. Actual IA time for this project was not part of the original work plan. PBI was selected as the analytic system to be used for identifying deceased TFFR members and was launched in October 2021.

- **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.

2021-2022 ACTUAL ACTIVITIES:

- The TFFR File Maintenance Audit fieldwork is completed, and the report is currently being written. The report will be issued first quarter FY 2023.

- **TFFR Pension Administration Software Assistance (PAS Project)**

AUDIT PLAN REQUIREMENTS: The Supervisor of Internal Audit will be a part of the evaluation team for the RFP and contract meetings. Internal Audit staff will also participate in the finalists' system demos. Stage 3 for the PAS upgrade is expected to start December 2021 and audit staff will also be involved in the implementation phase of the project.

2021-2022 ACTUAL ACTIVITIES:

- IA participated in the procurement process for the PAS project. Sagetic was awarded as the vendor. Stage 3 kicked-off in May 2022.

- **RIO Office Move**

AUDIT PLAN REQUIREMENTS: RIO moved to a different office building in November 2021. No time had been allotted in the original audit work plan to help assist with the move. Due to a staff shortage, all remaining staff members assisted in the move.

2021-2022 ACTUAL ACTIVITIES:

- IA assisted in the packing of the old office and unpacking in the new office. All staff was responsible for moving their personal items and equipment. Each division was given a common area to pack up. The move was completed in November 2021.

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

AUDIT PLAN REQUIREMENTS: IA is a member of the Institute of Internal Auditors (IIA) and attends meetings. RIO is also a member of the Association of Public Pension Fund Auditors (APPFA).

2021 - 2022 ACTUAL ACTIVITIES:

- IA Staff also attended an APPFA/P2F2 Virtual training conference in October of 2021. Sessions were defined as Pension 101, Personal Development, General Accounting, Investment Accounting, and Employer Reporting. General session classes included the following topics: annual fiscal year-end report, actuarial-funding/monitoring, accounting best practices, audits - continuous/actuarial/annual, business continuity - plans and audits, the cloud, the role of custodians currently and in the future, cyber threats, the death match process, the economy, ethics, fraud, GASB 68 and 75, investment due diligence, investment technology and trends, IRS regulations, Nonverbal Communication for the virtual environment, pension obligation bonds, PAS projects learn from a peer, Employer reporting – project management, Stress and Time Management Skills, sustainability of funds, and third-party risk.
- Attended RIO staff training on Crucial Conversations and agency teamwork.
- Completed quarterly IT training.
- 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 2021-2022.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT DIVISION
FISCAL YEAR 2021 -2022**

	FY 2021 1st QTR	FY 2021 2nd QTR	FY 2022 3rd QTR	FY 2022 4th QTR	FY 2022 TOTAL
Audit Activities					
Retirement Program Audits:					
TFFR Employer Audit Program					
<i>General Employer Audits</i>			32	22.75	54.8
<i>Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications</i>	32	35	30	13.00	110
Benefits Audit - Deaths, Long-Outstanding Checks, Long-term Members		29	11		40
Model 2 Partial Review				33.25	33
TFFR Pension Data System - PAS	131	34	12	88.25	265
TFFR Direct Deposit Reviews		2	1		3
TFFR File Maintenance Audit	66		132.75	163.00	362
Actuarial Audit				3.00	3
TFFR Task reports					0
Annual Salary Verification Project	7			11.00	18
Agency Administrative and Investment Audits:					
Executive Limitations Audit and Executive Review Committee	7	28	156.75	51.50	243
Executive Search Committee	13	16			29
Risk Management		1		2.00	3
Administrative Policy Review	6	2	12	8.00	28
Consulting	34		3	3.50	41
Governance Review	56	38	1	2.00	97
RIO External Auditor Assistance	26	3		18.75	48
Internal Audit RFP				3.00	3
Strategy Review			8		8
RIO Succession Planning	132	78	37.75	6.00	254
Administrative Activities					
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	122	190	145.25	284.50	742
RIO Move		123			123
Division, COVID-19 Meetings, Preparation, etc.	30	63	28.75	9.00	131
Audit Committee/SIB/TFFR Attendance and Preparation	210	156	172.25	180.75	719
Professional Development/CE/General Education	0	69	22	4.00	95
Annual Leave, Sick Leave, and Holidays	193	184	248.50	134.50	760
Quarterly Total:	1065	1049	1053	1042	4208

Total Hours for 2021-2022 4,160

D. Thorsen Total Hours 2021-2022 2,080

S. Sauter Total Hours 2021-2022 2,080

MEMORANDUM

TO: State Investment Board (SIB)

FROM: SIB Audit Committee

DATE: August 9, 2022

**SUBJECT: Fiscal Year End Audit Committee Activities Update
July 1, 2021 to June 30, 2022**

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 2021 - 2022 fiscal year were:

Yvonne Smith, PERS Board, Chair

Rob Lech, TFFR Board, Vice Chair, Resigned from Audit Committee effective April 22, 2022

Cody Mickelson, TFFR Board, effective April 22, 2022

Jodi Smith, Elected and Appointed Officials, Resigned from Audit Committee effective October 31, 2021

Treasurer Thomas Beadle, Elected and Appointed Officials, effective November 1, 2021

Julie Dahle, External Member

Jon Griffin, External Member

The Audit Committee held four regular meetings and one special meeting during the fiscal year ended June 30, 2022. The meetings occurred: August 11, 2021, October 14, 2021, November 16, 2021, February 16, 2022, and May 10, 2022.

Activities of the Audit Committee during the past year included:

- The Committee approved a July 1, 2021 through June 30, 2022 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's level of compliance with SIB Governance Manual Executive Limitation policies (A-1 through A-11) for the calendar year ending December 31, 2021.
 - 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 February 25, 2022 SIB meeting.

Agenda Item VIII

- SIB Board Governance - 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 Audit Committee presented its recommendations to the SIB on November 19, 2021.
 - 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 Supervisor of Internal Audit participated in SIB Executive Search Committee meetings and interviews. The Executive Director/Chief Investment Officer resigned from his position June 22, 2021. The Executive Director/Chief Investment Officer position was split at the August 27, 2021 SIB meeting. The Executive Director position was filled in November 2021 and Chief Investment Officer position as filled in December 2021.
 - RIO Succession Planning – Internal Audit reviewed the vacated positions to ensure proper documentation of their responsibilities and that all responsibilities were transferred to the new positions developed in the reorganization of RIO. Also, reviewed the risks facing the investment program due to staff turnover. The Succession Planning Phase I was presented on February 16, 2022.
 - RIO's Strategic Plan - RIO undertook the development of a comprehensive strategic plan by partnering with other state agencies who are leading such efforts. Internal Audit attended meetings as the strategic plan was an agency effort.
 - TFFR Benefit Payment Audit - Internal Audit worked with IT, Retirement Services, and ND Procurement in getting a new death search system. Internal Audit also attended meetings for the Consultant's presentation of their product. PBI was selected as the analytic system to be used for identifying deceased TFFR members and was launched in October 2021.
 - TFFR Salary Verification-Participant Data Audit was completed in FY 2021. Internal Audit continued to work with Retirement Services on the recommendations.
 - PAS Project – Stage 2 was completed in March 2022. Stage 3 started in April 2022. IA participated in the procurement process in Stage 2 and the kick-off meetings in May 2022.
 - 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. This is a continual project.
 - RIO's Internal Audit division provided assistance to our external audit partners, CliftonLarsonAllen, LLP (CLA), during the 2020-2021 and the 2021-2022 financial audits of the RIO as well as the GASB 68 Census Data Audits.
 - 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 (Business Continuity, Cyber Threats, Employer Program, Third-Party Risk, and IT refresher classes).
- The Committee received the results of the RIO financial audit for the fiscal year ended June 30, 2021 from independent auditors, CliftonLarsonAllen, LLP. They issued an unmodified "clean" opinion.

Agenda Item VIII

- The Committee reviewed the RIO financial audit plan for fiscal year ended June 30, 2022 with independent auditors, CliftonLarsonAllen, LLP. Discussion included scope and approach for the audit to ensure complete coverage of financial information and GASB 68 Audit.
- The Committee adopted a detailed audit work plan and budgeted hours for fiscal year July 1, 2022 to June 30, 2023.

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 9, 2022

SUBJECT: Audit Charter: 2021 - 2022 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 10, 2022, members of the Committee met with representatives from RIO's independent audit firm, CliftonLarsonAllen. The July 1, 2021 to June 30, 2022 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 16, 2021 and May 10, 2022, members of the Committee met with representatives from RIO's independent audit firm, CliftonLarsonAllen. RIO's Chief Financial*

Officer/Chief Operating 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 16, 2021, the Committee received, reviewed, and approved the June 30, 2021 Financial Audit Report of RIO and the 2021 GASB 68 Schedule Audit Report. RIO's management, representatives of RIO's independent audit firm, CliftonLarsonAllen, and RIO's Chief Financial Officer/Chief Operating 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 16, 2021 and May 10, 2022, members of the Committee met with RIO's management, representatives from RIO's independent audit firm, CliftonLarsonAllen, and RIO's Chief Financial Officer/Chief Operating 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.*
- 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 16, 2021, the Committee received, reviewed, and approved the June 30, 2021 Financial Audit Report and 2021 GASB 68 Schedule Audit Report of RIO. RIO's management, representatives of RIO's independent audit firm, CliftonLarsonAllen, and RIO's Chief Financial Officer/Chief Operating 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 2022.*

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 11, 2021. 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 2022.*
- Review and approve the annual risk-based audit work plan and all major changes to the plan.
 - *On May 10, 2022 the Committee approved the 2022-2023 audit work plan budgeted hours based off of results of the agency risks 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, 2021 and ending March 31, 2022 was provided to the Audit Committee Chair for review prior to being finalized. No changes were made to Internal Audit staffing during fiscal year 2022. 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 Manager Selection, Audit Planning Cycle, and Fiduciary Responsibility.*
- Review the adequacy of the organization’s policy on risk management.
 - *The administrative manual was revised during the FY 2022, and this is an ongoing project as the agency continues to grow and transform.*
- 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 2022.*

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.
 - *Audit staff notes, if any, recommendations, and findings in audits. Management responds to all audits and their response is reported to the Committee. Internal Audit staff has also created a tracking document to track recommendations and findings and report to the Audit 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 September 24, 2021, October 22, 2021, November 19, 2021, February 25, 2022, and May 20, 2022.*
- 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 September 24, 2021, for fiscal year 2021.*

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 Manager Selection, Audit Planning Cycle, and Fiduciary Responsibility.*
- 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, 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 a request to review governance policy and the structure of the SIB in the May 21, 2021, meeting. This review was completed, and recommendations were made to the SIB at the November 19, 2021 meeting.*
- Institute and oversee special investigations as needed.
 - *No special investigations were instituted or needed during fiscal year 2022.*
- 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 2022 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 11, 2021, the Committee reviewed and approved of the Charter.*