

AUDIT COMMITTEE MEETING

Thursday, May 11, 2023 – 2:30 PM
RIO Conference Room
1600 E Century Ave Suite 3, Bismarck, ND 58503
[Click here to join the meeting](#)

AGENDA

- I. Call to Order and Approval of Agenda – Chair (committee action)
- II. Approval of February 15, 2023, Minutes – Chair (committee action)
- III. Presentation of July 1, 2022, to June 30, 2023 Fiscal Year Financial Audit Scope and Approach – Paul Niedermuller & Tonia Shultz, CLA (committee action) (20 minutes)
- IV. Internal Audit Business Process Report – Bruce Mills, Weaver (30 minutes)
- V. 2023 – 2024 Internal Audit Workplan and Budgeted Hours – Sara Seiler (committee action) (30 minutes)
- VI. Executive Limitations/Staff Relations – Jan Murtha (informational) (25 minutes)
 - a. Strategic Review Update
 - b. Legislative Update
- VII. 2022 - 2023 Third Quarter Audit Activities – Sara Seiler (committee action) (20 minutes)
- VIII. Current Internal Audit Activities – Sara Seiler (committee action) (15 minutes)
- IX. 2023 -2024 SIB Audit Committee Meeting Schedule – Sara Seiler (committee action) (5 minutes)
- X. 2023- 2024 SIB Audit Committee Membership – Sara Seiler (information) (5 minutes)
- XI. Resolution for Julie Dahl
- XII. Other – Next SIB Audit Committee Meeting
****PENDING APPROVAL ***
Workforce Safety & Insurance Board Room
1600 E Century Ave Suite 1, Bismarck, ND 58503
Wednesday, August 2, 2023 @ 2:30 PM
- XIII. Adjournment

Any individual requiring an auxiliary aid or service should contact the Retirement and Investment Office at (701) 328-9885 at least (3) days prior to the scheduled meeting.

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
FEBRUARY 15, 2023, MEETING**

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

MEMBER ABSENT: Julie Dahle, External Representative Board, Vice Chair

STAFF PRESENT: Missy Kopp, Exec. Assistant
Jan Murtha, Exec. Director
Sara Seiler, Suprv. of Internal Audit
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor

GUESTS : Bruce Mills, Weaver

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:36 p.m. on Wednesday February 15, 2023, at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

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

AGENDA:

The agenda was considered for the February 15, 2023, meeting.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE FEBRUARY 15, 2023, MEETING AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: MS. DAHLE

MOTION CARRIED

MINUTES:

The minutes were considered for the November 15, 2022, meeting.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE NOVEMBER 15, 2022, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: MS. DAHLE

MOTION CARRIED

INTERNAL AUDIT (IA) BUSINESS REVIEW PROCESS UPDATE:

Mr. Mills, Weaver, provided an update on the IA Business Process Review. Mr. Mills summarized the methodology and approach they used during the review. Weaver conducted an evaluation of the current state of maturity of the IA program utilizing the International Standards for the Professional Practice of Internal Auditing. The results of the review will provide a roadmap to the future state, enhancing IA effectiveness and efficiency of resources. Mr. Mills reviewed the maturity assessment, engagement status, staffing and resources. The final report will be presented to the Committee at the May 11, 2023, meeting. Committee discussion followed.

EXECUTIVE LIMITATIONS/STAFF RELATIONS:

Ms. Murtha provided an update on staffing at RIO. The Chief Risk Officer starts on February 21, 2023. The Investment Accountant position is open because that staff person moved into the Retirement Accountant position. Interviews for that position have been scheduled. The new Senior Investment Officer starts on March 20, 2023, and the Communications and Outreach Director position offer has been accepted with an anticipated start date in March. Current projects include the Legacy Fund asset allocation project, Pioneer Project, Northern Trust Initiative, and the IA Business Process review. A list of meetings attended, and legislative testimony provided by staff are included.

LEGISLATIVE SESSION UPDATE:

Ms. Murtha provided an update on the 2023 Legislative Session and bills that may be impactful to RIO programs. Staff continue to provide testimony on behalf of the Boards on bills that impact the TFFR or investment programs including multiple bills relating to Environmental, Social, Governance (ESG) investments. Other bills that staff have provided testimony on include HB 1088 which changes the SIB composition, SB 2330 which changes the definition of Legacy Fund earnings, and HB 1219 and SB 2258 which both affect TFFR. Committee discussion followed.

SECOND QUARTER AUDIT ACTIVITIES:

Ms. Seiler provided an update on IA activities for the second quarter. The Executive Limitations Audit starts in December and is completed in February. This audit is done annually as part of the Executive Director's review process. IA provided support to the external auditors for the Annual Financial Audit and GASB 68 Census Data Audit. The payroll audit was completed and reported in November 2022. The response from management was included. They agreed with the recommendations and put a plan in place. IA staff participated in the review of RIO administrative policies. For the TFFR program the Model 2 Partial Salary Review is in process and the File Maintenance Audit was issued on October 27, 2022. IA staff continues to participate in meetings for the Pioneer Project which in Phase 3, Pilot 2.

IA performed an employee exit review which IA performs when there is a sudden resignation or separation of an employee. IA reviews files to see if anything needs to be addressed. After the review, IA recommended the creation of a general email address for media and open records inquiries. The email would be monitored by multiple employees to prevent disruption to responses. IA also recommended adding an internal policy that staff members cannot add external people to internal RIO Team Channels without approval, and annual governance education for Board members focusing on governance structure.

Ms. Seiler summarized the administrative activities and professional development activities. Committee discussion followed.

IT WAS MOVED BY MS. SMITH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE SECOND QUARTER AUDIT ACTIVITIES REPORT.

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

NAYS: NONE

ABSENT: MS. DAHLE AND MR. MICKELSON

MOTION CARRIED

EXECUTIVE LIMITATIONS AUDIT:

Ms. Seiler summarized the Executive Limitations Final Audit Report. IA completes an annual review of the Executive Director's (ED) level of compliance with the SIB Governance Manual Executive Limitation policies for the calendar year. IA is sufficiently satisfied the ED was in compliance with SIB Governance Manual Executive Limitation Policies A-1 through A-11 during calendar year 2022.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS AUDIT.

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

NAYS: NONE

ABSENT: MS. DAHLE AND MR. MICKELSON

MOTION CARRIED

CURRENT IA ACTIVITIES:

Ms. Seiler provided an update on current IA activities. Audits currently in progress include the Executive Limitations, Model 2 Partial Salary Review, RIO Policy Manual update, Onboarding and Offboarding review, and Pioneer Project. A summary of meetings attended, and project participation was provided. Committee discussion followed.

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

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

NAYS: NONE

ABSENT: MS. DAHLE AND MR. MICKELSON

MOTION CARRIED

OTHER:

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 4:12 p.m.

Prepared by:

Missy Kopp, Assistant to the Board



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North Dakota Retirement and Investment Office – Audit Committee May 11, 2023

2023 Financial Audit Entrance Meeting

Agenda

Engagement Scope

Auditor Responsibilities

Management Responsibilities

Significant Risks and Responses

Work Plan

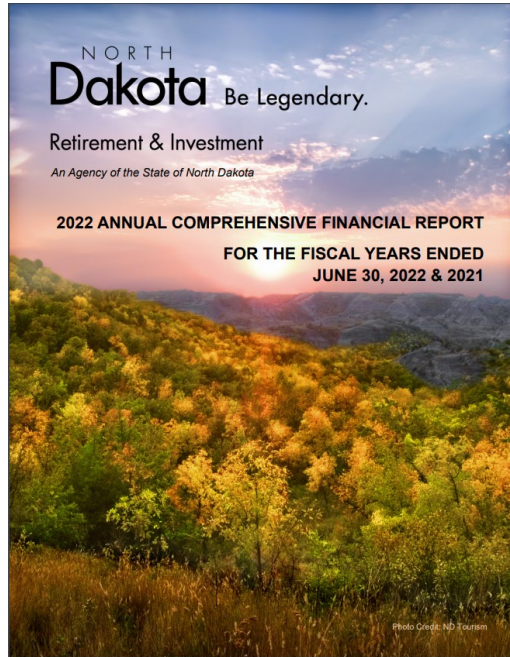
Audit Methodology

Timeline

Open Forum/Questions



Engagement Scope



- Audit of RIO's financial statements as of June 30, 2023
- Audit of TFFR's GASB 68 schedules as of June 30, 2023

Auditor (CLA) Responsibilities

Conduct the audit in accordance with U.S. GAAS and *Government Auditing Standards*

Express an opinion on whether the financial statements are presented in accordance with U.S. GAAP

Provide report on internal control over financial reporting and compliance with laws, regulations, contracts and grants which could have a direct and material impact on the financial statements and schedules

Communicating our identification of significant risks of material misstatement

Communicating certain other matters to the Audit Committee and Board in a formal communication

Management Responsibilities

Fair presentation of financial statements and schedules in accordance with GAAP

Design and implementation of internal control over financial reporting and compliance

Provide unrestricted access to information and personnel requested for audit

Take timely and appropriate steps to remedy fraud, abuse and noncompliance

Provide a representation letter at the conclusion of our audit



Significant Risks and Responses

- Management override of controls
 - Properly assign and supervise audit team
 - Examine journal entries and significant, unusual transactions
 - Incorporate an element of unpredictability to the audit
- Valuation of alternative investments
 - Confirmations with managers
 - Recalculation of net asset value from audited statements
- Valuation of net pension liability
 - Review assumptions
 - Verify the underlying data used to calculate the estimates



Significant Risks and Responses

The Committee's views about the risks of fraud

Does the Committee have knowledge of any fraud or suspected fraud affecting the entities?

Does the Committee have an active role in oversight of the entities' assessment of the risks of fraud and the programs and controls established to mitigate those risks?

Other risks

Work Plan

Phased Approach

- Planning
- Internal control
- Employer census data testing
- Substantive testing and reporting

Significant Financial Audit Areas

- Investments
- Contributions
- Benefit payments
- Actuarial data



Significant Financial Audit Areas – Investments

Understanding of internal controls

- Walkthroughs
 - Reconciliation procedures
 - Initial due diligence and on-going monitoring
 - Compliance monitoring
- Review custodial bank's SSAE 18/SOC 1 report

Substantive procedures

- Confirmation of custodial and non-custodial investments
- Price testing of equity and fixed income securities
- Review of audited financial statements and roll-forwards of non-custodial (alternative) investments



Significant Financial Audit Areas – Contributions

Understanding of internal controls

- Review of internal audit procedures and reports
- Walkthroughs of contribution and purchase of service processes
- Test of controls over the contributions process

Substantive procedures

- Reconciliation of contributions from general ledger to subsidiary ledger
- Confirmation of contributions with employers
- Analytical procedures including data analytics



Significant Financial Audit Areas – Benefit Payments

Understanding of internal controls

- Review of internal audit procedures and reports
- Walkthroughs of benefit payments processes; separate walkthroughs for disability, survivor, regular retirement and refund processes
- Test of controls over the benefit payment processes

Substantive procedures

- Reconciliation of benefit payments from general ledger to subsidiary ledger
- Analytical procedures including data analytics



Significant Financial Audit Areas – Actuarial Data

AU section 500.08 - Use of a Management Specialist

- Evaluate the competence, capabilities and objectivity of the specialist
 - Confirm actuaries' independence and accreditation
 - Prior experience with the actuaries
- Obtain an understanding of the work of the specialist
 - Review the nature, scope and objectives of the work of the specialist
- Evaluate the appropriateness of the work of the specialist
 - Review of the actuary report and compare key assumptions to pension and actuarial industry standards
 - Review of independent actuarial studies
- Additional testing specific to GASB 67/68



Significant Financial Audit Areas – Actuarial Data

AU section 500.08 - Use of a Management Specialist

- Census Data
 - Leverage data analytics performed over contributions and benefit payments to test the active and retiree census data for completeness and accuracy.
 - Select a sample of employers and test for completeness and accuracy of the active member census data.

Utilize an independent actuary to evaluate the sufficiency and appropriateness of TFFR'S actuarial valuation in accordance with AU-C 620 – Using the Work of an Auditor's Specialist.



Information Technology

- General control areas that will be reviewed include:
 - Logical access controls
 - Application development and change control procedures
 - Business continuity planning
 - System integration
 - Benefit payment calculations
 - Member data

Audit Timeline

KEY MILESTONES	DATE
Planning	May 2023
Understanding and Testing of Internal Controls	May – July 2023
Census Data Testing	July – September 2023
Substantive Procedures	August – September 2023
Final Audit Reports	October – November 2023
Audit Committee Presentation	November 2023



Open Forum/Questions



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North Dakota Retirement and Investment Office

*Internal Audit Maturity Assessment
April 2023*

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Appendix

ND RIO IA Future State Recommendations and Actions

Engagement Approach

Weaver evaluated the maturity of Internal Audit function for North Dakota Retirement and Investment Office (ND RIO) modeled after the International Professional Practices Framework (IPPF) developed by the Institute of Internal Auditors (IIA).

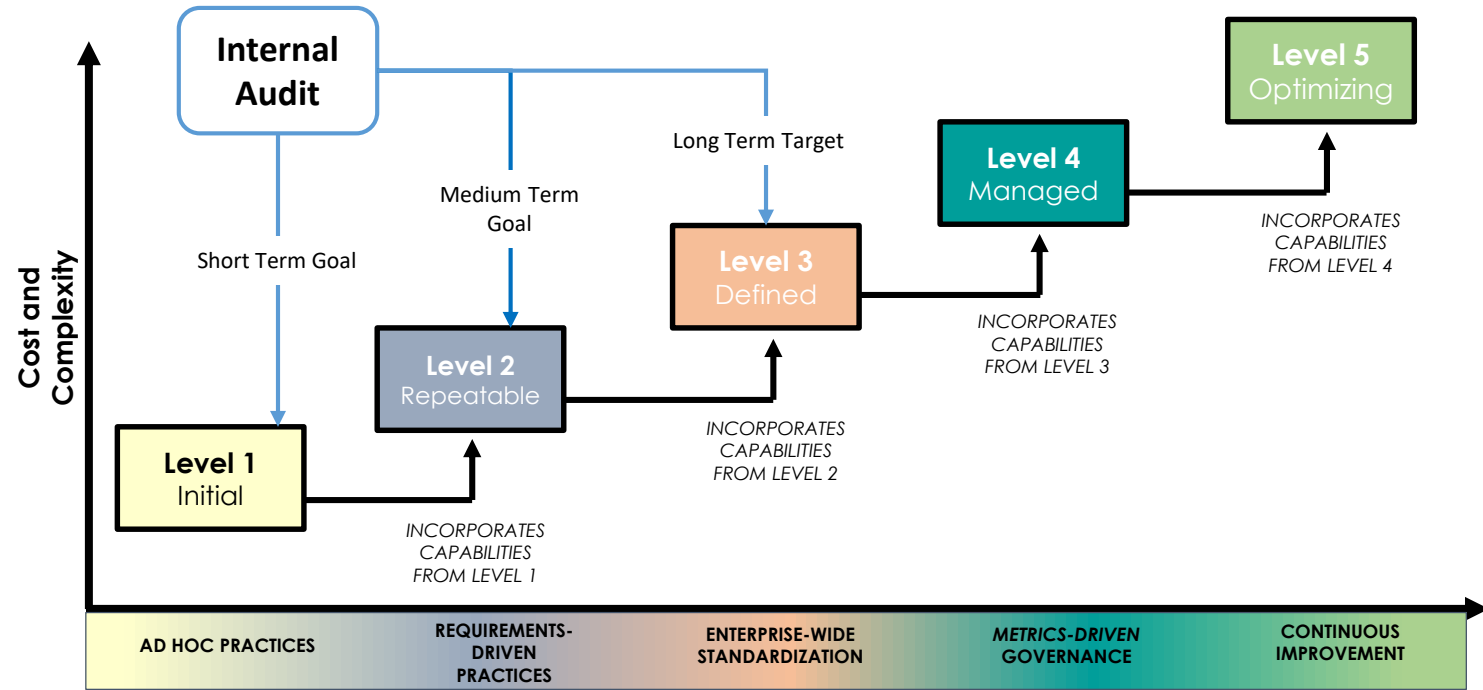
The primary purpose of the review was to show the current level of maturity of Internal Audit to inform a roadmap towards the future state on both a short and long term basis.

Our approach included:

1. Evaluation of the Internal Audit program against IIA Standards and IPPF
 - 5 key components
 - 19 principles
 - 105 evaluation criteria
 - Standard requirements for an effective Internal Audit Program
2. Set Goal and Target Maturity expectation with Management
3. Interviews with key executives and Trustees
4. Development of a future state roadmap of actions, benefits, challenges, and key implementation steps for Internal Audit to achieve their desired maturity levels on a short and long-term basis.

Internal Audit Maturity Goals and Target

Short Term Goal 6/30/23
 Medium Term Goal 6/30/24
 Long Term Target 6/30/25



Organizations should expect that moving from each level of maturity includes additional components of:

- Cost
- Complexity
- Advanced Business Practices

Summary of Results

Weaver's maturity assessment indicated that Internal Audit is operating within Initial with some progress into the Repeatable level, one of the early stages of maturity development. This is consistent with the expectations shared by ND RIO and Internal Audit leadership at the outset of the review. To successfully achieve the increased maturity levels for Internal Audit (IA), certain themes became evident as ND RIO seeks to mature the department

1. Understanding and Achieving Conformance with the IIA Standards and IPPF

IA has indicated within its Charter that it follows the Standards, but achieving this should be viewed as the long term goal by increasing the maturity of the department through implementing the recommended actions. IA would benefit from education and support to help achieve conformance.

2. Standardizing Internal Audit Processes

There is not a consistent approach to how audits are planned, executed, documented and reported. A hallmark of a mature Internal Audit function is consistency of approach and process when conducting Internal Audits to help ensure that the engagement approach is consistent and is appropriately structured to assess the design and effectiveness of controls, evidence review steps, and documented support for conclusions, regardless of the process being reviewed.

3. Internal Audit Independence

In prior years, portions of the IA department's work could be considered management or compliance work and not fully independent or objective from management due to resourcing and focus of the organization. The current leadership understands the importance of Audit Independence, and continued evolution of the department will be reliant on maintaining that distinction in the work IA conducts.

4. Staffing and Resources

As the functions evolve, so must their resources. This includes people, process, and technology. IA would benefit from additional training and obtaining IA specific certifications. IA would also benefit from the availability of co-sourcing or additional staffing to provide adequate audit coverage for ND RIO. As IA moves further into its future state, access to data, systems, and analytics will be needed to support the continued maturity growth. To accelerate their goals and target maturity levels, additional support resources should be considered to assist in developing procedures and enhancing competencies.

Weaver's assessment also identified specific **actionable opportunities** to accelerate Internal Audit's pace towards achieving their maturity goals and targets. Smaller IA functions typically face challenges that are not the same or occur more frequently than those in larger departments. Weaver's recommended actions have taken that into consideration.

1. Update the Internal Audit Charter to include a Code of Ethics and all other mandatory elements required by the Standards
2. Discontinue any management or compliance activities performed by IA and evaluate where previous work may have resulted in a conflict that impacts the independence of IA
3. Implement a structured, consistent, and recurring process-level risk assessment that covers the ND RIO organization to be used by IA for plan development
4. Implement a more robust risk-based audit planning process that focuses on the areas of highest risk and ensures risks identified during plan development are tied to achievement of the organization's strategic goals and objectives
5. Establish IA Continued Professional Education plan and training on Standards and encourage staff to seek Internal Audit specific certifications
6. Develop an IA Procedures manual and standard templates and checklists for audit engagements
7. Document the approach and reporting requirements for Consulting engagements
8. Implement a standard, consistent review process for Internal Audit fieldwork
9. Standardize IA reports and distribution lists
10. Update structure and supporting processes for issue tracking, reporting, and escalation of unacceptable risks
11. Utilize results of Internal Audit work to contribute to the improvement of ND RIO's risk management processes
12. Obtain resources to support competency requirements and the department maturity development and staffing needs outlined within the future state roadmap

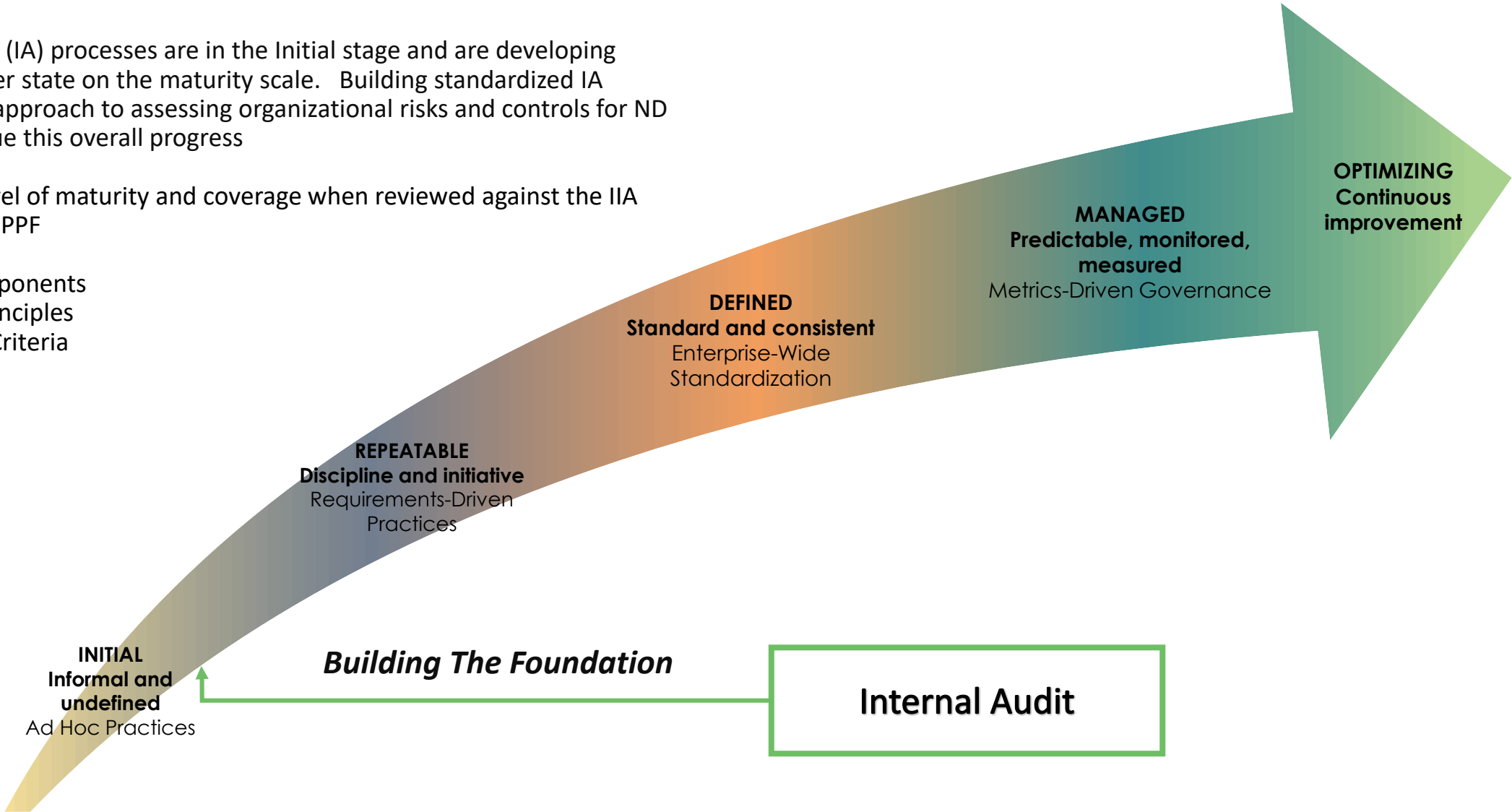
These actionable opportunities form the basis for a potential roadmap that includes specific actions, benefits, challenges and key implementation steps recommended to move Internal Audit towards increased program maturity. Detailed evaluations and recommended actions to progress towards the desired future state maturity levels for each principle in the framework were provided to ND RIO.

Current State Maturity Assessment

Internal Audit's (IA) processes are in the Initial stage and are developing towards a higher state on the maturity scale. Building standardized IA processes and approach to assessing organizational risks and controls for ND RIO will continue this overall progress

IA has some level of maturity and coverage when reviewed against the IIA Standards and IPPF

- 5 of 5 Components
- 19 of 19 Principles
- 99 of 105 Criteria



Internal Audit Maturity Model

Elements and Principles

The Maturity Assessment was based on the Institute of Internal Audit’s International Professional Practices Framework (IPPF), which are principle-focused and provide a framework for performing and promoting internal auditing.

ELEMENTS				
International Professional Practices Framework				
Standards 1000,1100,3000*	Standards 1200,1300	Standards 2000,2100	Standards 2200,2300	Standards 2400,2500,2600
Authority, Independence and Objectivity	Proficiency and Quality	Management and Nature of Work	Engagement Planning and Execution	Reporting and Communications
PRINCIPLES				
Structure of Internal Audit Charter	Competency	Management, Policies and Procedures	Internal Audit Engagement Planning	Reporting Results of Internal Audit Engagements
Conformance with Code of Ethics	Due Professional Care Assurance and Technology Proficiency	Governance and Evaluation of Risk	Engagement Scope and Objectives	Reporting Errors and Non-Conformance
Independence and Reporting Lines	Quality Assurance Program	Annual Risk Assessments	Engagement Execution and Supervision	Reporting Final Results and Audit Opinions
Objectivity and Conflicts of Interest	Communication of QAP and non-conformance	Internal Audit Plan		Tracking, Reporting and Disposition of Issues

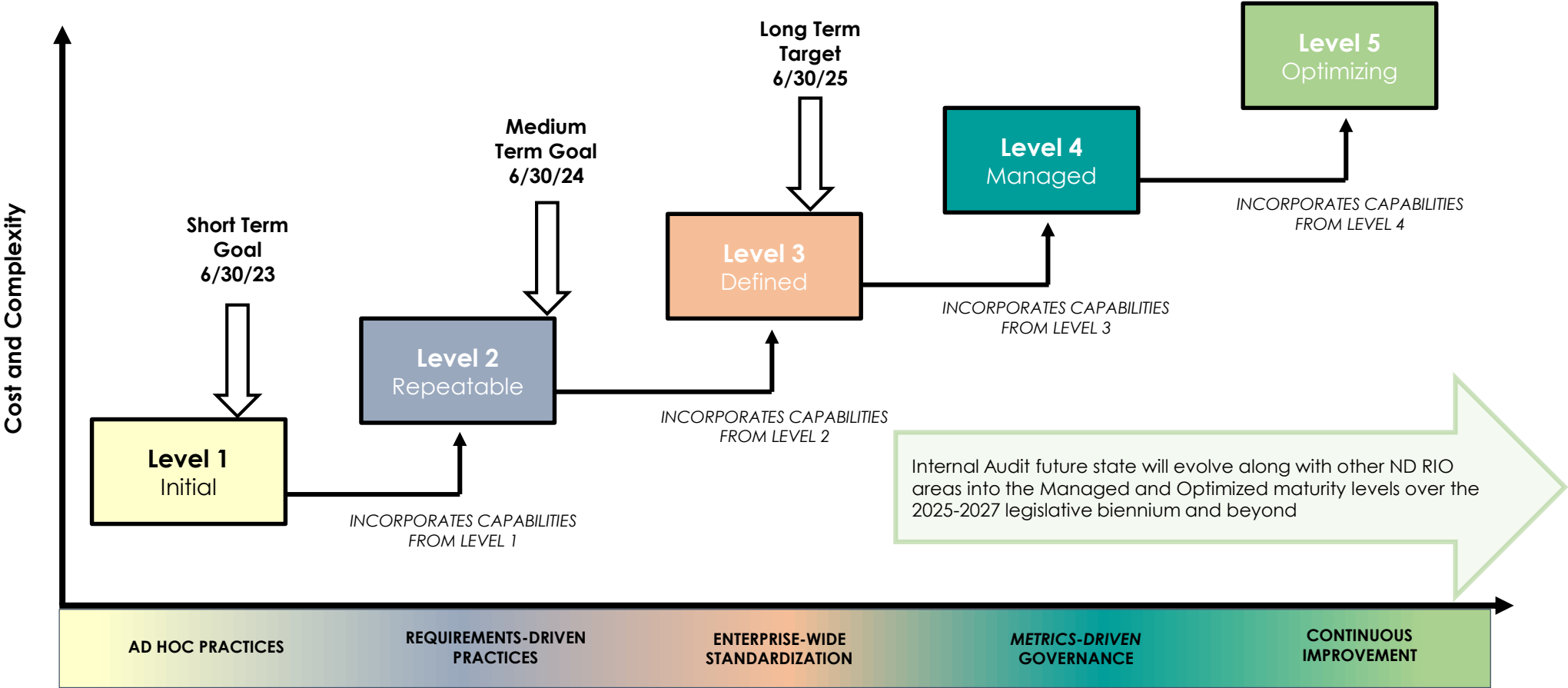
* 3000 – IIA Code of Ethics

COMPONENTS 5	PRINCIPLES 19	CRITERIA 105
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ND RIO - Internal Audit

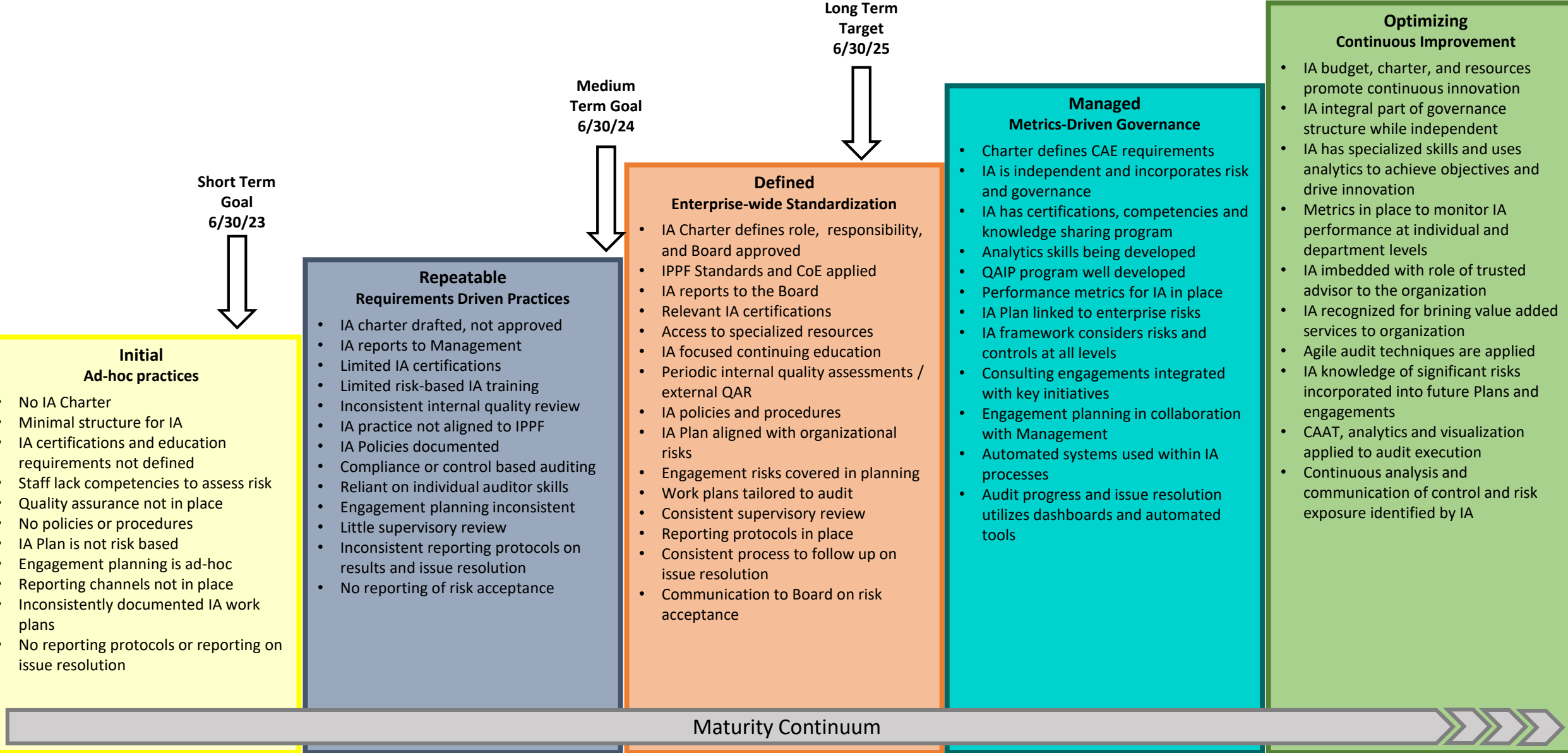
Maturity Goals and Target Future State

Internal Audit (IA) has set the following short, medium and long term maturity goals and target for the department to inform the future state roadmap based on Weaver’s recommendations. The recommendations will be leveraged to help IA build a structured plan for their future state development.



ND RIO - Internal Audit Maturity Scales

The below scale provides the definitions used in the Internal Audit Assessment for ND RIO. It is modeled using the CMM assessment and IIA Standards framework.



Initial
Ad-hoc practices

- No IA Charter
- Minimal structure for IA
- IA certifications and education requirements not defined
- Staff lack competencies to assess risk
- Quality assurance not in place
- No policies or procedures
- IA Plan is not risk based
- Engagement planning is ad-hoc
- Reporting channels not in place
- Inconsistently documented IA work plans
- No reporting protocols or reporting on issue resolution

Repeatable
Requirements Driven Practices

- IA charter drafted, not approved
- IA reports to Management
- Limited IA certifications
- Limited risk-based IA training
- Inconsistent internal quality review
- IA practice not aligned to IPPF
- IA Policies documented
- Compliance or control based auditing
- Reliant on individual auditor skills
- Engagement planning inconsistent
- Little supervisory review
- Inconsistent reporting protocols on results and issue resolution
- No reporting of risk acceptance

Defined
Enterprise-wide Standardization

- IA Charter defines role, responsibility, and Board approved
- IPPF Standards and CoE applied
- IA reports to the Board
- Relevant IA certifications
- Access to specialized resources
- IA focused continuing education
- Periodic internal quality assessments / external QAR
- IA policies and procedures
- IA Plan aligned with organizational risks
- Engagement risks covered in planning
- Work plans tailored to audit
- Consistent supervisory review
- Reporting protocols in place
- Consistent process to follow up on issue resolution
- Communication to Board on risk acceptance

Managed
Metrics-Driven Governance

- Charter defines CAE requirements
- IA is independent and incorporates risk and governance
- IA has certifications, competencies and knowledge sharing program
- Analytics skills being developed
- QAIP program well developed
- Performance metrics for IA in place
- IA Plan linked to enterprise risks
- IA framework considers risks and controls at all levels
- Consulting engagements integrated with key initiatives
- Engagement planning in collaboration with Management
- Automated systems used within IA processes
- Audit progress and issue resolution utilizes dashboards and automated tools

Optimizing
Continuous Improvement

- IA budget, charter, and resources promote continuous innovation
- IA integral part of governance structure while independent
- IA has specialized skills and uses analytics to achieve objectives and drive innovation
- Metrics in place to monitor IA performance at individual and department levels
- IA imbedded with role of trusted advisor to the organization
- IA recognized for bringing value added services to organization
- Agile audit techniques are applied
- IA knowledge of significant risks incorporated into future Plans and engagements
- CAAT, analytics and visualization applied to audit execution
- Continuous analysis and communication of control and risk exposure identified by IA

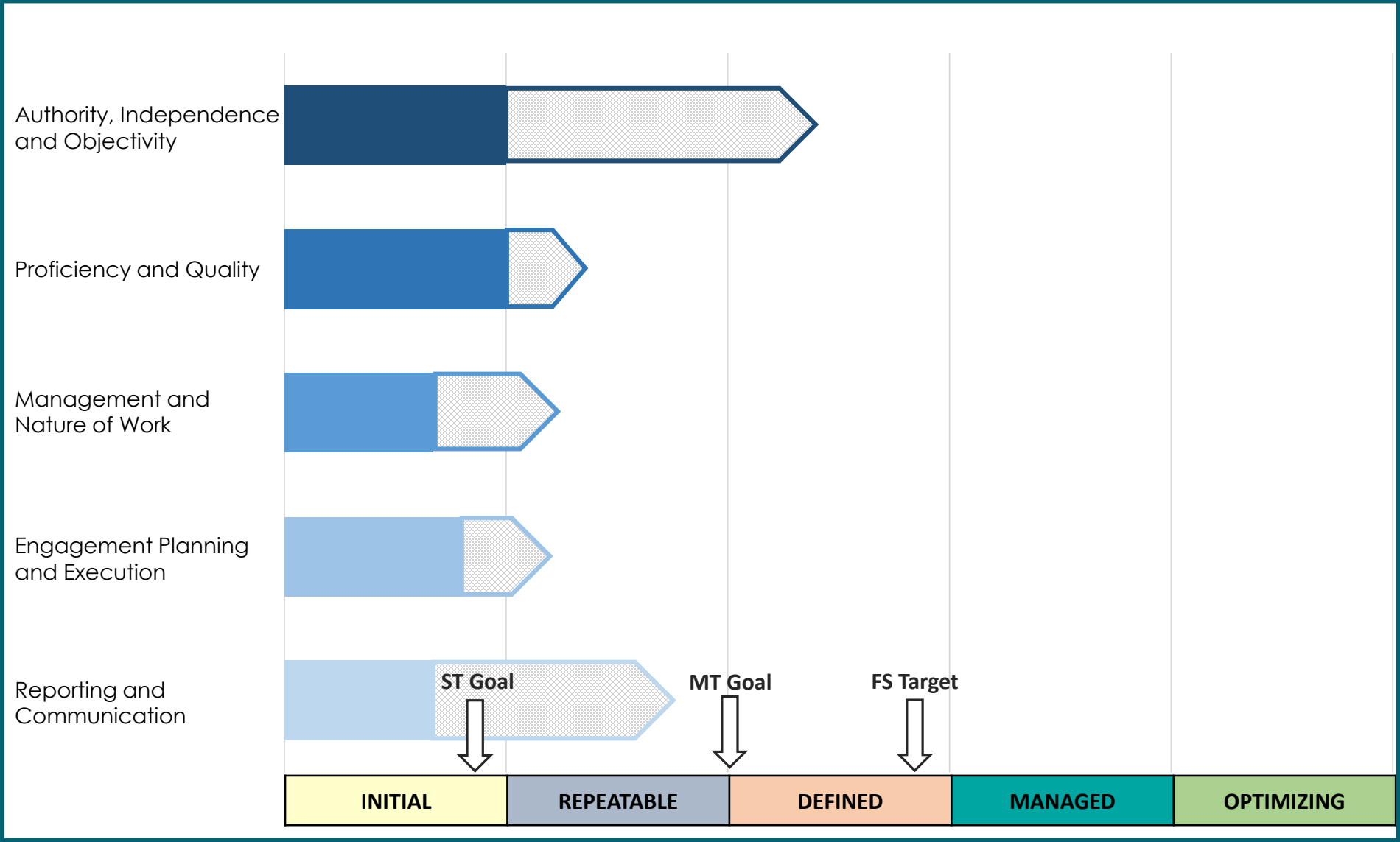


ND RIO Internal Audit

Overall Maturity Achievement

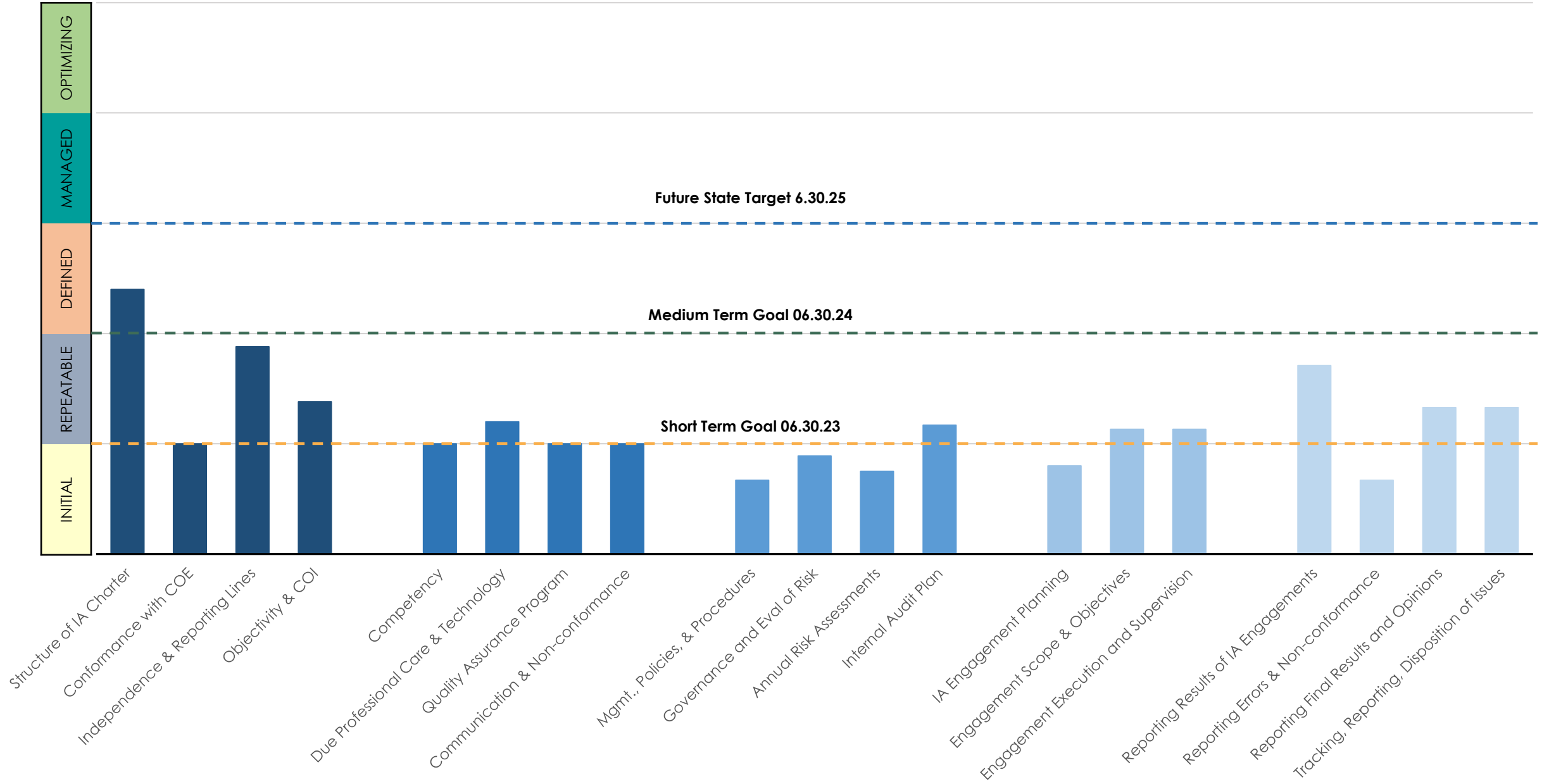
The graphic at right highlights the current overall status of the Internal Audit program, together with the maturity goals and target for the program.

Furthermore, the image depicts the level of progress toward achieving the **next highest maturity level** for each component.



ND RIO – Internal Audit Assessment Results

The chart represents Internal Audit’s maturity across the required Elements of the IIA Standards



Staffing and Resources

Weaver accelerated the review of staffing resources needed for Internal Audit, and the following recommendations were presented to the State Investment Board Audit Committee in February 2023.

1. Using Weaver's standard model for co-sourcing of Internal Audit for government agencies, ND RIO is showing a shortfall in anticipated audit hours. The 6,000 hour benchmark was established based on historical engagements with similar agencies and provides an organization approximately 6-8 internal audits each year.
2. The Internal Audit team as currently structured does not appear to have the capacity to meet the typical Internal Audit Plan, when accounting for the functional responsibilities of the Audit Supervisor as the Head of Audit.
3. Government agencies typically address these shortfalls through a combination of:
 - Additional Headcount
 - External Resources (Co-source, Loan Staff)

Additional Resource Considerations

- ▶ The proposed plan to internalize the investment process will add additional complexity to the Internal Audit risk assessment, audit planning, and the audits being conducted.
- ▶ Weaver anticipates a number of additional activities recommended for Internal Audit as part of their future state development to continue their path towards becoming an efficient, mature function for ND RIO.
- ▶ Internal Audit needs additional resources in order to meet current audit plan requirements and be positioned to conduct future audit work, especially related to investment internalization
 - Additional training in investments products, audit procedures and required controls.
 - External assistance to provide advice and guidance as well as build and begin executing an audit plan focused on investments.
 - Additional junior level auditor(s) to conduct routine audit work that would allow the Audit Supervisor to focus on management responsibilities.
 - An external resource such as a firm with professional practices experience to assist Internal Audit in enhancing its operating practices and processes while allowing it to continue progress against the current audit plan and other responsibilities.

ND RIO Staffing Model Assessment

One Full Time Equivalent (FTE) Auditor	Hours
Total Annual Hours Available	2,080
Less Hours For:	
Vacation and Sick Leave	(160)
State Holidays (11)	(88)
Continuing Professional Education	(40)
Administrative Duties	(192)
Total Annual Hours Per Auditor	1,600

Total Annual Hours Available by Role

Associate	100%	1,600
Senior Auditor(a)	90%	1,440
Head of Audit(b)	50%	800
ND RIO Internal Audit Expected Hours		2,240
(a) Dorothy Thorsen		
(b) Sara Seiler		

Weaver's Co-Sourcing Resource Model

Expected Audit Hours Annually	6,000
ND RIO Available Hours	2,240
Hours Shortfall	3,760
FTE Shortfall (Associate level)	2.4

ND RIO Annual Plan

ND Internal Audit Plan	4,160
ND RIO Available Hours	2,240
Audit Hours Shortfall	1,920
FTE Shortfall (Associate level)	1.2

Engagement Team



Alyssa Martin, CPA
Engagement Partner



Bruce Mills, CIA, CFE
Engagement Lead



Nancy Tomassone
Senior Advisor



Holly Hart, CPA, CIA
Manager

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Seiler, Supervisor of Internal Audit

DATE: May 11, 2022

SUBJECT: 2023 - 2024 Internal Audit Workplan

The following information details the proposed workplan for Internal Audit for 2023 – 2024. This workplan represents what Internal Audit anticipates will be accomplished in the upcoming fiscal year, however, needs and priorities may change and this workplan may require adjustments. Any anticipated changes will be discussed with the SIB Audit Committee as they are identified. Frequency, hours, and reporting are addressed where applicable.

Internal Audit will allocate resources to the following audit, consulting, and quality assurance activities during fiscal year 2024:

INTERNAL AUDIT BUSINESS PROCESS IMPLEMENTATION:

Internal Audit had an internal audit business process review completed by Weaver in the last fiscal year. Weaver evaluated the maturity of Internal Audit function modeled after the International Professional Practices Framework (IPPF) developed by the Institute of Internal Auditors (IIA). The review was to show the current level of maturity of Internal Audit division and to provide a roadmap towards the future state on both a short and long-term basis. The Internal Audit division will be working to implement the recommendations made by Weaver. The goals are set as short, mid, and long-term. Internal Audit will be working towards implementing the short and mid-term goals in the next fiscal year.

Total Hours Allocated: 450

EXECUTIVE LIMITATION AUDIT:

On an annual basis, the Executive Director's compliance with the State Investment Board (SIB) Governance Manual Executive Limitation Policies A-1 through A-11 is reviewed. The most recent calendar year is included in the audit. As a part of the Executive Limitation Audit process, Internal Audit facilitates a number of surveys. In December of each year, staff is asked to evaluate the Executive Director in the areas of leadership, communication, and valuing employees. In July of each year, Internal Audit facilitates a customer satisfaction survey which is administered to SIB investment clients. At the request of the SIB Executive Review Committee, Internal Audit will also facilitate and compile the results of the survey administered to members of the SIB each February as a part of their evaluation of the Executive Director.

Total Hours Allocated: 250

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

SIB SELF-EVALUATION:

On an annual basis, the Executive Review & Compensation Committee (ERCC) will facilitate a board self-assessment. The ERCC typically will request the assistance of the Supervisor of Internal Audit to administer, compile, and report the survey results.

Total Hours Allocated: 10

Audit Report Recipients: Executive Review & Compensation Committee, SIB Audit Committee, and SIB

TEACHERS' FUND FOR RETIREMENT (TFFR) PARTICIPANT DATA REVIEW:

The Participant Data Review will be focused on Model 2 Partial employers. This review will take a sample of one member from each Model 2 Partial employer. There are approximately 40 Model 2 Partial employers.

The primary purpose of salary reviews is to determine if the retirement salaries and contributions reported to TFFR by a participating employer are in compliance with the definition of salary as it appears in the North Dakota Century Code (N.D.C.C. § 15-39.1-04 (10)). Reported service hours and eligibility for TFFR membership are also verified.

Total Hours Allocated: 450

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

TFFR FILE MAINTENANCE AUDIT:

On an annual basis, Internal Audit of the Retirement and Investment Office (RIO) will review system generated (CPAS) audit tables to ensure transactions initiated by RIO staff are expected and appropriate given the role in the organization. The processes for entering information from Member Action Forms, Change of Address forms, and Point of Contact forms are also reviewed. A sample of members will be reviewed for each of the processes to verify the information on the form is the same as the information in the system.

Total Hours Allocated: 400

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

GENERAL EMPLOYER CONSULTING:

Retirement services may request consulting services from internal audit staff about employer reporting issues throughout the year.

Total Hours Allocated: 40

PIONEER PROJECT:

Internal Audit staff has been a part of Stage 1 and Stage 2 of the Pioneer Project. The Pioneer Project is currently in Stage 3 for the PAS and Internal Audit staff will continue to participate in elaboration meetings. The Pioneer Project is set to be completed at the end of year 2024.

Total Hours Allocated: 600

EXTERNAL AUDITOR ASSISTANCE:

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

Total Hours Allocated: 60

RECORDS RETENTION:

With all the open records requests, it's important to manage RIO's records according to state guidelines and division retention schedules. The Contract and Records Assistant (CRA) is the staff member responsible for maintaining RIO's Records Management Program.

IA staff is responsible for the following information:

- Sets-up the retention schedule for audit records (reviewed annually)
- Maintains a Table of Contents of Audit Records (new records added and records are purged)
- Purging records from our Audit Drive (CRA will give a deadline to annually purge)
Audit records have been converted to electronic form which has increased the time to manage.
- IA sends an annual summary to the CRA on the size of the new records added during the year and the size of the records purged (established by the retention schedule)
- IA has been working with the CRA in restructuring and organizing audit records to make them more accessible and easier for staff to manage and purge.
- IA will be writing a summary documenting IA and the audits completed since the inception of the Division in 1993.

Total Hours Allocated: 120

SPECIAL PROJECTS

Time has been allocated if there is an ask for assistance in any special projects that may arise.

Total Hours Allocated: 200

Audit Report Recipients: SIB Audit Committee and SIB

PROFESSIONAL DEVELOPMENT

Professional development and continuing education opportunities are critical to continued professional success. All staff members of Internal Audit are members of the Institute of Internal Auditors (IIA). Staff members attend educational opportunities provided by our local IIA chapter when available. The IIA also offers free webinars to all IIA members throughout the year which cover a variety of auditing related topics. RIO is also a member of the Association of Public Pension Fund Auditors (APPFA). When able, Internal Audit staff will attend training. RIO also does staff training throughout the year such as all staff training days and other required agency training.

Total Hours Allocated: 150

Internal Audit will allocate resources to the following administrative activities during fiscal year 2024:

ANNUAL LEAVE, SICK LEAVE, AND HOLIDAYS:

The staff auditor earns 192 hours of annual leave per year (16 hours per month). The Supervisor of Internal Audit earns 144 hours of annual leave per year (12 hours per month). The current workplan makes an allowance for each staff member to utilize 100 hours of sick leave per year. Given the nature of such leave it is anticipated that more or less leave could be utilized. During the fiscal year, all state offices will close on ten observed holidays including New Year's Day, Martin Luther King Jr Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, and Christmas Day.

Total Hours Allocated: 700

STAFF MEETINGS, REPORTING, AND EMAIL:

Audit staff engages in numerous activities required to facilitate the day-to-day operations of both the department and the organization. Internal Audit participates in division staff meetings and organization wide staff meetings. Staff members also must manage electronic communication, complete time and general reporting activities, and ensure compliance with published records retention procedures.

Total Hours Allocated: 350

SIB AUDIT COMMITTEE, SIB, AND TFFR BOARD MEETINGS

The Supervisor of Internal Audit is required to prepare meeting materials for all SIB Audit Committee meetings. On some occasions, meeting materials are also required for SIB and TFFR meetings as Internal Audit provides quarterly updates to both boards. The Supervisor of Internal Audit attends (whenever possible) all SIB Audit Committee, SIB, and TFFR meetings. The staff auditor attends SIB Audit Committee meetings and TFFR Board meetings.

Total Hours Allocated: 380

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT DIVISION
BUDGETED HOURS FOR THE FISCAL YEAR JULY 1, 2023 TO JUNE 30, 2024**

	2023-2024 BUDGET HOURS (2 FTE'S)
Primary Audit Responsibilities - Total Hours Allocated: 2,730	
Internal Audit Business Process Implementation	450
Executive Limitations Audit	250
SIB Self-Evaluation	10
Teachers' Fund for Retirement (TFFR) Participant Data Review (Model 2 Partial)	500
TFFR File Maintenance	350
Pioneer Project	600
General Employer Consulting	40
External Auditor Assistance (Financial, GASB, Actuary, etc.)	60
Records Retention	120
Special Projects	200
Professional Development	150
	2,730
% of Available Hours Allocated to Primary Audit Responsibilities	66%
Primary Administrative Responsibilities - Total Hours Allocated: 1,430	
Annual Leave, Sick Leave, and Holidays	700
Staff Meetings, Reporting, & Email	350
SIB Audit Committee, SIB, and TFFR Board Meetings	380
Preparation and Attendance	
	1,430
% of Available Hours Allocated to Primary Administrative Responsibilities	34%
Total 2023-2024 Budget Hours	4,160
Total Budget Hours for 2023 - 2024	4,160
Budget Hours for D. Thorsen	2,080
Budget Hours for S. Seiler	2,080

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: April 21, 2023
RE: Executive Limitations/Staff Relations

Ms. Murtha will provide a verbal update at the meeting on staff relations and strategic planning. Including updates on the following topics:

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

Employee Title	Status
Investment Accountant	Offer accepted. Anticipated start date May 2023.
Legal Intern - Summer	Offer accepted. Anticipated start date May 2023.
Accounting Intern – 23/24 school year	Interviews Scheduled.

2. Current Project Activities/Initiatives:

- **TFFR Pioneer Project** – The TFFR Pioneer Project continues with implementation consistent with the project plan. Currently the project is in an elaboration phase involving review of system components. The amount of time spent on the project by various staff members currently varies from 5 to 25 hours or more per week.
- **TFFR Actuary RFP** – An RFP for actuarial consulting services for the TFFR program has been issued. Finalists will present to the TFFR Board in April.
- **Legacy Fund Asset Allocation Study** – RVK continues its work on the Legacy Fund Asset Allocation Study. It is anticipated that RVK will present to the Advisory Board in Q2 2023 to review recommendations for updates to the Legacy Fund asset allocation and discuss a pacing schedule. Legislation relating to the asset allocation of the Legacy Fund is being monitored by staff. RVK has offered neutral testimony for SB 2330 and has provided an impact analysis relating to subsequent amendments of the bill. They provided additional assistance to staff at the request of the legislature relating to an impact analysis relating to HCR 3033.
- **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.
- **Audit Consultant Report:** Weaver Consulting will present its final report and recommendations to the SIB Audit Committee in May. The report includes identification of Internal Audit's current business state, desired future business state, and intermediate steps to achieve the desired future state. RIO staff recognized that development of additional internal audit business practices to support program evolution consistent with the agencies strategic plan is needed.

3. Board & Committee Presentations March 24, 2023 through April 28, 2023

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

- **Information or testimony for continued committee work as discussed in the Legislative Update agenda item.**
- **SIB Securities Litigation Committee – 4/10/23**
- **SIB Executive Review and Compensation Committee – 4/19/23**
- **SIB Investment Committee – 4/21/23**
- **SIB GPR Committee – 4/26/23**
- **TFFR Board – 4/27/23**
- **SIB meeting – 4/28/23**

COMMITTEE ACTION REQUESTED: Information only.

STRATEGY REVIEW

North Dakota Retirement and Investment



LOOKING AHEAD TO #BELEGENDARY

Jan Murtha, Executive Director

State Investment Board – April 28, 2023

NORTH
Dakota
Be Legendary.

CURIOSITY

GROWTH MINDSET

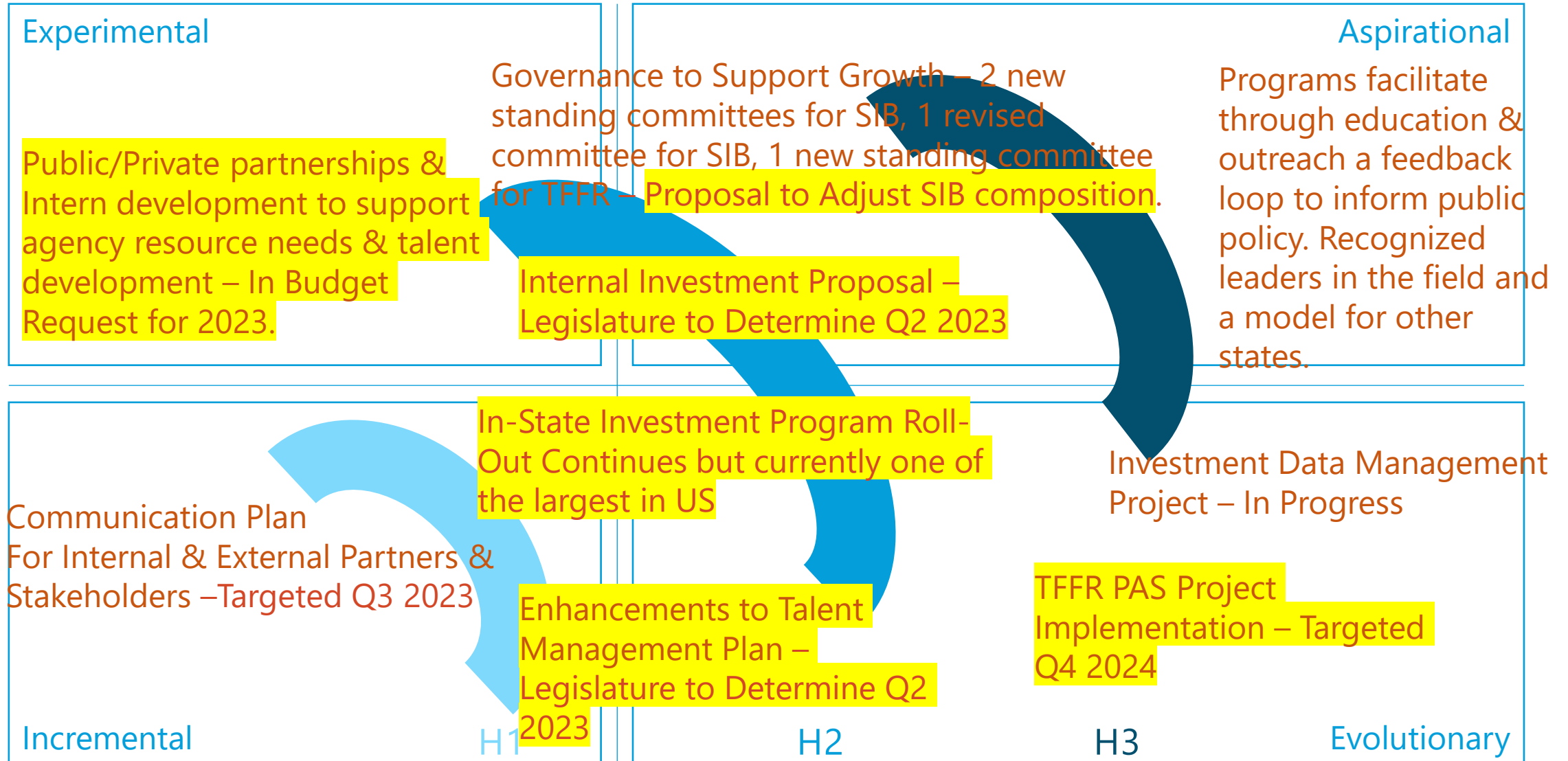
BUILDING A BETTER FUTURE
FOR NORTH DAKOTA



Retirement and Investments Core Priorities



HORIZON-BASED TRANSFORMATION



2023 LEGISLATIVE SESSION

Strategic Planning Initiatives Realized

HB 1088

- SIB Member Composition Bill – House conceded to Senate Amendments with Amendments (4/19)
- Two Experts, Two Legislators (voting) from Advisory Board. OMB Director to replace Insurance Commissioner

HB 1219

- TFFR Board Bill for Pension System Pioneer Project – Unanimously passed both House and Senate, signed by Governor on 4/10.
- Made statutory changes the aid in development and implementation of Pioneer Project.

SB 2022

- RIO's Budget Bill – Passed both House and Senate, signed by Governor 4/21.
- 9 new FTE's, funding for temporary employees, interns, equity. Includes statutory authorization for Talent Management plan with incentive compensation.

N O R T H
Dakota

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2023-2025 Legislative Session RIO Bill Tracker

Bill #	Topic	Description	Sponsor	Hearing Date	Committee	Status	Position
HB 1040	Closing DB Plan	Closing DB Plan (eff. 12/31/24)	Legislative Management: Weisz, Bosch, Boschee, Lefor, Mitskog, Vigesaa, Burckhard, Klein, Piepkorn, Schaible, Wanzek			Passed House 2/22 77 years / 16 nays Passed Senate 4/4 29 years / 18 nays (referred to Approps) Do Pass as amended 9-6-1 Passed Senate 4/21 28 years / 19 nays 04/25 Passed House, 76 years/17 nays 04/29 Signed by Governor	Neutral
HB 1088	SIB	SIB Membership changes	SIB			Amended by House.Reduced experts to 1 from 2, changed experience language; Legacy Advisory Board would be a voting member; and two legislative members. Passed House 1/25 80 years/ 11 nays. 2/8 Senate I&B amended to original version except making Legacy Advisory member voting member and an amendment to replace the Insurance Commissioner with the OMB Director on the Advisory Board. Senate I&B passed amendment 5-0-0. Passed Senate 3/10 46 years / 0 nays Return to House 3/13 04/07 Conf Committees appointed 04/25 Passed House, 79 years/11 nays 04/27 Passed Senate, 45 years/1 nay 04/28 Sent to Governor	Support - Original Version
HB 1150	Veteran Exemption for TFFR	Allows veterans with at least 20 years of military service to opt out of the TFFR in their first year of teaching	Thomas, Bekkedahl, Heinert, Meyer, O'Brien, Pyle, Richter, Ruby, Schaible, Schreiber-Beck, Vedaa			Passed House 1/19 54 years/ 37 nays- 2/13 Referred to Senate State & Local Passed Senate 03/14 27 years / 18 nays 3/23 Signed by Governor	Oppose
HB 1183	PERS retirement for law enforcement	Amends description of participants.	Rep. Porter, Sen. Axtman, Rep. Dockter, Rep. Heinert, Rep. Karls, Rep. Kasper, Sen. Larson, Rep. Louser, Rep. Motschenbacher, Rep. Ostlie, Rep. Ruby, Rep. Schauer			2/22 Passed House 84 years 7 nays 04/10 Passed Senate, 32 years/14 nays and returned to House 04/12 Concurred, Passed House, 87 years/5 nays 04/19 Signed by Governor	Monitor
HB 1216	ND Development Fund	Commerce Dept. funds to promote economic development.	Rep, Nathe			Passed House 1/25 91 years 0 nays. Passed Senate 3/9 45 years / 1 nay Returned to House 3/10 04/03 House Concurred, Passed House 88 years / 2 nays 04/11 Signed by Governor	Monitor
HB 1219	TFFR	TFFR Changes	Reps. Kempenich, Conmy, Kreidt Sen. Schaible			Passed House 2/7 94 years/0 nays. 04/05 Passed Senate, 47 years / 0 nays 04/05 Returned to House 04/11 Signed by Governor	Support
HB 1227	Legacy Fund	Requiring a cost-benefit analysis for a measure or policy affecting the Legacy Fund.	Reps. Kempenich, Bosch, Cory, Mock, Swiontek, Thomas, Vigesaa Sens. Klein, Meyer, Patten			Passed House 1/20 89 years/ 0 nays. Passed Senate 3/10 47 years / 0 nays 3/15 Signed by Governor	Neutral
HB 1309	PERS	Plan design changes for law enforcement	Rep. Boschee, Sen. Braunberger, Sen. Cleary, Sen. Dever, Rep. Heinert, Rep. Martinson, Rep. Nathe, Sen. Roers, Rep. Ruby, Rep. Schneider			Passed House 2/21. 87 years, 7 nays. 04/04 Passed Senate, 45 years / 2 nays 04/05 Returned to House 04/06 House concurred, Passed House, 89 years/3 nays 04/13 Signed by Governor	Monitor

HB 1368	Investments	Prohibiting investments and contracts with companies that boycott Israel.	Reps. K. Anderson, Bellew, M. Ruby, Strinden, Timmons, Tveit Sens. Clemens, Kannianen, Myrdal			Passed House 2/20 86 yeas / 7 nays 03/29 Passed Senate 43 yeas / 3 nays 04/04 House Concurred, Passed House 87 yeas / 4 nays 04/07 Signed by Governor	Oppose original Version; support amended version.
HB 1379	Legacy Earnings Streams	Modifies Legacy Fund Earnings streams	Reps. Lefor, Bosch, Dockter, Headland, Nathe, Novak, O'Brien Sens. Bekkedahl, Hogue, Rummel, Sorvaag			Passed House 2/22 77 yeas / 16 nays 04/11 Senate amended 04/12 Senate passed, 46 yeas/0 nays, Emergency Clause carried 04/12 House Refused to Concur 04/17 Both Conf Comm Appointed 04/25 Passed House, 76 yeas/ 14 nays 04/28 Sent to Governor	Monitor
HB 1429	SIB	ESG and Proxy Voting requirements with Study.	Reps. Novak, Koppelman, Louser, J. Olson, S. Olson, M. Ruby, Thomas, Sen. Elkin, Magrum, Rummel			Passed House 93 yeas / 0 nays 03/30 Passed Senate 42 yeas / 4 nays 04/07 Both Conf Committees appointed 04/20 Passed House, 89 yeas / 1 nay 04/20 Senate CC reported back, amend, placed on calendar 4/21 Passed Senate 44 yeas / 3 nays 04/27 Signed by Governor	Oppose original version; support amended version.
HB 1532	TFFR	Bill provides funding for private school attendance. Amendment re: establish educ reimbursement; provide for study and report, to provide an appropriation.	Reps. Cory, Kasper, Kempenich, Lefor, Nathe, Porter, Strinden, Sens. Beard, Burckhard, Meyer, Wobbema, Hogue			Passed House 2/21 54 yeas / 40 nays 3/23 Amendment adopted, referred to Appropriations 04/11 Passed Senate, 27 yeas/19 nay 04/13 Passed House, 51 yeas/41 nays 04/17 Sent to Governor	Monitor
HB 1539	TFFR	Amends and reenacts NDCC relating to the duties of the employee benefits program committee. Repeal sections 54-35-02.3 and 54-35-02.4 re: employee benefits program committee.	Rep. Weisz, Rep. Lefor, Rep. M. Ruby, Rep. Vigasaa			Delayed Bill. 04/13 Passed House, 90 yeas/0 nays 04/20 Amendment adopted, passed Senate 42 yeas/4 nays, Returned to House 04/25 Passed House, 90 yeas/ 0 nays 4/26 Passed Senate, 46 yeas/ 1 nay 04/28 Sent to Governor	Oppose
SB 2015	Budget bill	OMB Budget Bill	Senate Appropriations			Passed Senate 2/21, 40 yeas / 6 nays 4/21 Passed House, 67 yeas/ 24 nays 4/25 Both Conf Committees appt'ed	Monitor
SB 2022	Budget bill	RIO's Budget	Senate Appropriations			2/20 Passed Senate, 45 yeas / 2 nays 04/11 Passed House, 86 yeas / 4 nays, Emergency clause carried, returned to Senate. 04/13 Senate laid over one legislative day 04/17 Passed Senate 44 yeas/2 nays 04/19 Sent to Governor	Support
SB 2070	Teacher Permitting	Extends the length of time non-certified teachers can be permitted	Senate State and Local Govt - Roers, Barta, Braunberger, Cleary, Estenson, Lee			Passed Senate 1/26 47 yeas / 0 nays 03/20 Passed House 92 yeas / 0 nays 03/27 Signed by Governor	Monitor
SB 2165	Energy Commission	Funds to clean sustainable energy fund/ BND	Sen. Patten, Rep. Bosch, Sen. Kannianen, Sen. Kessel, Rep. Novak, Rep. Porter			Passed Senate 2/21 40 yeas / 6 nays Passed House 3/15 93 yeas / 0 nays 03/23 Signed by Governor	Monitor
SB 2196	Infrastructure Revolving Loan Fund	Resets terms of the infrastructure revolving loan fund.	Sen. Patten, Sen. Beard, Sen. Bekkedahl, Sen. Kannianen, Rep. Olson, Rep. Richter			Passed Senate 1/23 47 yeas/ 0 nays 03/28 Passed House 81 Yeas / 10 Nays 03/28 Returned to Senate 03/31 Senate refused to concur 04/03 both conf committees appt 04/25 Passed Senate, 46 yeas, 1 nays 04/26 Passed House, 84 yeas, 8 nays 04/27 Sent to Governor	Monitor

SB 2233	BND	Auditing practices of certain funds under management of BND	Sen. Klein, Sen. Bekkedahl, Sen. Hogue, Rep. Lefor, Rep. Vigesaa		Passed Senate 1/24 46 yeas/ 0 nays 03/17 Passed House 92 yeas / 0 nays 03/28 Signed by Governor	Monitor
SB 2284	TFFR	Defines "probationary teacher" and "weapon," and modifies weighting factors and transition maximums, and an increase in per student payments, to provide for legislative study.	Sen. Schaible, Sen. Elkin, Rep. Heinert, Rep. Nathe		02/20 Senate passed, 47 yeas/0 nays 03/29 - Amendments added that impact agency relating to a study. 03/30 - House Educ rept'd back, do pass, amendment placed on calendar. 03/31 House amendment adopted, referred to Appro. 04/19 Rpt'ed back, do pass. 04/20 Amendment adopted, Passed House, 76 yeas/16 nays 4/28 Passed Senate, 42 yeas/ 4 nays 4/28 Passed House, 77 yeas/ 15 nays	Monitor
SB 2330	Legacy Fund	Legacy earnings definition and change in Legacy Fund IPS percentages.	Sens. Klein, Hogan, Meyer Reps. Bosch, Kreidt		2/15 Passed Senate, 43 yeas / 3 nays 04/12 Amendment adopted, Passed House, 90 yeas / 0 nays, Emergency Clause Carried 04/13 Returned to Senate 04/17 Senate refused to concur 04/19 Both conf committees appt'ed 4/25 Passed Senate, 47 yeas/ 0 nays 4/26 Passed House, 92 yeas/ 0 nays 4/27 Sent to Governor	Support
HCR 3033	Legacy Fund	Legacy fund earnings definition constitutional amendment	Reps. Mock, Hagert, Ista, Kempenich, Kreidt, Schatz Sens. Cleary, Meyer		Passed House 3/14 67 yeas / 24 nays 04/04 Senate I&B reported back, do not pass. 04/05 Amendment adopted, placed on calendar 04/10 Senate adopted as amended, 45 yeas / 1 nay 04/13 House Refused to Concur, Appointed Conf Comm 04/17 Senate Conf Comm Appt'ed 04/20 House Rpt'ed back, placed on calendar 4/25 Passed House, 92 yeas, 1 nay 4/27 Signed by President & Speaker	Monitor

RETIREMENT AND INVESTMENT OFFICE
Internal Audit
2022-2023 3rd Quarter Audit Activities Report
January 1, 2023 – March 31, 2023

The audit objective of Internal Audit (IA) is twofold: first, to provide comprehensive, practical audit coverage of the Retirement and Investment Office (RIO) programs; second, to assist RIO management and the State Investment Board (SIB) by conducting special reviews or audits.

Audit coverage is based on the July 1, 2022 through June 30, 2023 work plan approved by the SIB Audit Committee. The audit activities undertaken are consistent with the Internal Audit charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO and the concerns of management and the SIB Audit Committee.

Investment and Agency Audit Activities

• **Executive Limitation Audit**

On an annual basis, IA reviews the Executive Director's level of compliance with the SIB Governance Manual Executive Limitation Policies A-1 through A-11. The Executive Limitations Audit was started in November 2021. The audit will review calendar year 2022. The audit was completed and reported to SIB Audit Committee at the February 15, 2023 meeting.

• **Executive Review and Compensation Committee (ERCC)**

The Committee requested IA's assistance in administering a Board self-assessment evaluation. The Committee reviewed the prior year questions as needed. The Supervisor of IA administered the self-assessment survey in the January/February timeframe. A Summary of the results was presented to the SIB meeting on February 25, 2022.

The Committee also annually evaluates the Executive Director of RIO. The Supervisor of IA provided requested assistance to help facilitate the surveys and committee meeting materials. The Committee is revising the format for the Executive Director's performance review. The Committee met in March to discuss the questions and structure. The surveys were sent out in April and results reported to the ERCC.

• **Employee Exit Review**

The Internal Audit Division will do a post review of an employee's accounts if there is an abrupt resignation of an employee or if there is a separation of employment. A RIO staff member had separation of employment in January 2023, Internal Audit did a review of emails and various accounts. Internal Audit reviewed for open record requests, media inquiries, and any other open tasks that would need to be completed. The report was issued on February 7, 2023.

• **Onboarding and Offboarding Procedures**

RIO is in the process of updating its administrative manual. Internal audit is working with the Deputy Executive Director/Chief Retirement Office, the Chief Financial Officer/Chief Operating Officer, the Executive Assistant, and the Contracts/Records Administrative Assistant to review existing onboarding and offboarding policies and procedures and recommend enhancements.

- **Internal Audit Business Process Review**

Weaver & Tidwell were awarded the bid for the Internal Audit Business Process Review in October 2022. IA continued to work with Weaver to provide all necessary documentation for the review. Weaver held meetings with various stakeholders in January 2023. Weaver completed the review in April 2023 and will be presenting the final report at the May 2023 Audit Committee.

- **Records Retention**

IA has a retention schedule for the audit files and records. Annually, the schedule is reviewed to determine if changes need to be made. Almost all the audit files and records are currently electronic and purged annually to comply with the schedule set by NDIT Records Management. IA maintains a table of contents for the information that describes the audit and what files are found on the audit drive. The table of contents is annually updated at this time. The records retention project was completed in March 2023.

Retirement Program Audit Activities

- **Model 2 Partial Salary Review**

This salary review only includes Model 2 Partial employers. IA selected one participant from forty-one employers to ensure model compliance. The review will also determine if the retirement salaries and contributions reported to TFFR by the participating employers are following the definition of salary as it appears in the North Dakota Century Code (N.D.C.C. § 15-39.1-04 (10)). Reported service hours and eligibility for TFFR membership are also verified. This review is currently in process.

- **TFFR Pioneer Project**

IA staff is participating in the elaboration and design meetings for the Pioneer Project. The Internal Auditor is part of the core group attending almost all meeting. The Supervisor of Internal Audit attends the weekly update meeting and elaborations meetings as needed. The Pioneer Project is in Phase 3 Pilot 2.

- **Actuarial Services RFP**

TFFR Staff has prepared a request for proposal for actuarial and consulting services for the period starting July 1, 2023, ending June 30, 2025. The request for proposal (RFP) includes in the scope of work an experience study expected to be performed in FY2024 as well as actuarial valuation, GASB 67 and 68 reporting, proposed legislation analysis and consulting services. The Executive Director, Deputy Executive Director/Chief Retirement Officer and Supervisor of Internal Audit reviewed and scored the RFPs in March. The TFFR Board made a selection from the finalists at their April meeting.

Administrative Activities

The IA staff attends the biweekly RIO staff meetings, biweekly RIO manager's meetings, divisional meetings, two monthly Fiscal/Organization meetings, one Audit Committee meeting, three SIB meetings, and two TFFR meetings.

Professional Development/CE/General Education

The IA supervisor attended the webinar Emerging Issues in Auditing Investments.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT DIVISION
FISCAL YEAR 2022 -2023**

FY 2022 1st QTR	FY 2022 2nd QTR	FY 2023 3rd QTR	FY 2023 4th QTR	FY 2023 TOTAL
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Internal Audit Activities

Investment Program Activities/Audits:

Executive Limitations Audit	14	15	140.00		
SIB Self-Evaluation			8.00		

Retirement Program Activities/Audits:

TFFR Pension Data System - Pioneer Project	140	242	227		
TFFR Model 2 Partial Review	108	17	35		
TFFR File Maintenance Audit	125	6	5.25		
TFFR Actuarial Audit	16	4	2.50		
TFFR Actuarial RFP			20.00		
TFFR Misc.	41	21	22.25		

Agency Activities/Audits

Administrative Policy Review	10	68			
Internal Audit Business Process Review	58	45	42.50		
Payroll Audit	19	27			
Records Management		14	67.00		
RIO External Auditor Assistance	39	30	1.00		
Onboarding & Offboarding Review			3.00		
Employee Exit Review			40.50		
Professional Development/CE/General Education	2	24	5.00		

Administrative Activities

Administrative - Staff Mtgs, Time Reports, Email, General Reporting, Performance	147	133	150.75		
Audit Committee Attendance and Preparation	102	82	134.75		
SIB/TFFR Attendance and Preparation	61	50	24.75		
Annual Leave, Sick Leave, and Holidays	162	263	124.00		
Quarterly Total:	1041	1040	1053	0	0

Total Hours for 2022-2023 4,160

D. Thorsen Total Hours 2022-2023 2,080

S. Seiler Total Hours 2022-2023 2,080

MEMORANDUM

TO: Sara Seiler, Supervisor of Internal Audit
FROM: Jan Murtha, Executive Director
DATE: May 11, 2023
RE: Employee Exit Review Response to IA Recommendations

Internal Audit (IA) made the following recommendations:

1. RIO creates a general email address for media and open request inquiries. The email address is monitored by multiple employees to ensure there is no disruptions in responses when staff is out or if there is staff turnover.
2. Create an internal policy that staff members cannot add anyone outside the agency to any internal RIO Teams Channels without prior approval from the Executive Director or Deputy Executive Director.
3. On an annual basis, the State Investment Board and Teachers' Fund for Retirement Board receives training on board governance, focusing on governance structure (e.g., authority retained versus delegated, communications with staff, etc.).

Management concurs with the recommendations; we thank the IA team for the work and thought evident in these recommendations to improve agency operations and governance.

Regarding the implementation of Recommendation #1, management notes that there currently exists a general email address for all inquiries, including those for open records and media that is monitored by multiple employees and thus considers this recommendation fulfilled. This email address (rio@nd.gov) is available on the agency website and had been monitored by internal IT staff until IT unification in 2021, at which time it continued to be monitored by IT staff that are now external NDIT employees. The reason for the monitoring by these employees was due to the large number of web portal questions that were received and continue to be answered by IT employees. As a result of the recommendations and to better streamline agency processes after IT unification, we have added access to this email address by all administrative support staff and the Communications Director. One administrative support staff will monitor the email account for inquiries in the AM and PM and forward inquiries to the responsible party, and back-ups have been assigned for when this individual is out of the office. Open records and media requests will be sent to the Communications Director with a copy to the employee assigned records management duties. This incorporates the recommended oversight into the process.

Regarding implementation of Recommendation #2, the agency administrative policy manual is presently being updated to address and improve communications procedures with the input from the Communications Director and the changes should be implemented with the current biennium.

Regarding implementation of Recommendation #3, management concurs.

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Seiler, Supervisor of Internal Audit

DATE: May 11, 2023

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 5
- Model 2 Partial Salary Review – Phase 2
- RIO Policy Manual update – Phase 3
- Onboarding and Offboarding Review – Phase 1
- Pioneer – Pension Administration Software – Stage 3 Pilot 2

IA staff attended the following meetings: biweekly manager meetings and biweekly staff meetings. IA staff also attends SIB and TFFR Board meetings. Internal Auditor also attends Fiscal/Organizational and Retirement Services monthly meetings.

The Supervisor of IA is a committee member of the Onboarding and Offboarding Group. The group has been reviewing and enhancing RIO's current onboarding and offboarding procedures. Members of the working group are the Deputy Executive Director/Chief Retirement Officer, Chief Financial Officer/Chief Operating Officer, Executive Assistant, and Contracts/Records Administrative Assistant.

For the Model 2 Partial Salary Review, the Internal Auditor started to review the information received from the forty-one employers.

Internal Audit staff continued to meet with Weaver with updates and review recommendations for the Internal Audit Process Review.

During the months of March and April, the Internal Auditor attended sixty-three Pioneer Elaboration meetings. Processes discussed in the meetings were actuarial files, annual statements, benefit payment/payroll, disability, disability recertification, pre-retiree deaths, post-retiree deaths, FileNet review, generating mass communication, service retirements, and tax/other withholding. Other meetings attended were weekly updates and summary review sign-offs.

Annual performance evaluations are completed in the May-June timeframe. IA staff will be working on their performance reviews. The three stages in the review process are as follows: self-evaluation, division

manager evaluation, and overall review/evaluation completed by the Executive Director or the Audit Committee. IA staff will be working on their performance reviews.

The Executive Review and Compensation Committee (ERCC) also annually evaluates the Executive Director of the North Dakota Retirement and Investment Office. In past years, the ERCC requests the assistance of the Supervisor of Internal Audit to help facilitate the surveys and committee meeting materials. The Supervisor of Internal Auditor has been assisting the ERCC.

SIB & TFFR Board/Committee Calendar 2023-24

July 2023

July 10, 2023 – SIB GPR @ 10:00 AM
July 12, 2023 – SIB ERCC @ 10:00 AM
July 14, 2023 – Investment Comm @ 9:00 AM
July 20, 2023 – TFFR @ 1:00 PM
July 21, 2023 – SIB @ 8:30 AM

August 2023

August 2, 2023 – SIB Audit Committee @ 2:30 PM
August 10, 2023 – TFFR GPR @ 10:00 AM
August 11, 2023 – Investment Comm @ 9:00 AM
August 11, 2023 – SIB GPR @ 2:00 PM
August 25, 2023 – SIB @ 8:30 AM

September 2023

September 8, 2023 – Investment Comm @ 9:00 AM
September 12, 2023 – SIB Securities @ 10:00 AM
September 14, 2023 – SIB GPR @ 10:00 AM
September 21, 2023 – TFFR @ 1:00 PM
September 22, 2023 – SIB @ 8:30 AM
September 27, 2023 – SIB ERCC @ 10:00 AM

October 2023

October 12, 2023 – SIB GPR @ 10:00 AM
October 23, 2023 – Investment Comm @ 9:00 AM
October 27, 2023 – SIB @ 8:30 AM

November 2023

November 6, 2023 – SIB ERCC @ 10:00 AM
November 7, 2023 – TFFR GPR @ 3:30 PM
November 8, 2023 – SIB GPR @ 10:00 AM
November 9, 2023 – Investment Comm @ 9:00 AM
November 14, 2023 – SIB Audit Committee @ 2:30 PM
November 16, 2023 – TFFR @ 1:00 PM
November 17, 2023 – SIB @ 8:30 AM

December 2023

December 5, 2023 – SIB Securities @ 10:00 AM
December 8, 2023 – Investment Comm @ 9:00 AM
December 15, 2023 – SIB @ 8:30 AM (tentative)

January 2024

January 9, 2024 – SIB ERCC @ 10:00 AM
January 11, 2024 – Investment Comm @ 9:00 AM
January 18, 2024 – SIB GPR @ 10:00 AM
January 25, 2024 – TFFR @ 1:00 PM
January 26, 2024 – SIB @ 8:30 AM

February 2024

February 6, 2024 – TFFR GPR @ 3:30 PM
February 7, 2024 – SIB ERCC @ 10:00 AM
February 9, 2024 – Investment Comm @ 9:00 AM
February 15, 2024 – SIB Audit Committee @ 2:30 PM
February 23, 2024 – SIB @ 8:30 AM

March 2024

March 8, 2024 – Investment Comm @ 9:00 AM
March 12, 2024 – SIB Securities @ 10:00 AM
March 13, 2024 – SIB ERCC @ 10:00 AM
March 14, 2024 – SIB GPR @ 10:00 AM
March 21, 2024 – TFFR @ 1:00 PM
March 22, 2024 – SIB @ 8:30 AM

April 2024

April 12, 2024 – Investment Comm @ 9:00 AM
April 16, 2024 – SIB ERCC @ 10:00 AM
April 18, 2024 – SIB GPR @ 10:00 AM
April 25, 2024 – TFFR @ 1:00 PM
April 26, 2024 – SIB @ 8:30 AM

May 2024

May 1, 2024 – TFFR GPR @ 3:30 PM
May 7, 2024 – SIB ERCC @ 10:00 AM
May 8, 2024 – SIB GPR @ 10:00 AM
May 9, 2024 – SIB Audit Committee @ 2:30 PM
May 10, 2024 – Investment Comm @ 9:00 AM
May 17, 2024 – SIB @ 8:30 AM

June 2024

June 11, 2024 – SIB Securities @ 10:00 AM
June 13, 2024 – TFFR Board Retreat @ 1:00 PM
June 14, 2024 – Investment Comm @ 9:00 AM

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Seiler, Supervisor of Internal Audit

DATE: May 11, 2023

SUBJECT: 2022 - 2023 Audit Committee Membership

The Audit Committee is a standing committee of the State Investment Board (SIB) authorized under SIB Governance Policy B-6, Standing Committees. Its primary function is to assist the SIB in fulfilling its oversight responsibilities of the Retirement and Investment Office (RIO) internal and external audit programs, including financial and other reporting practices, internal controls, and compliance with laws, regulations, and ethics.

The committee is comprised of five members selected by the SIB. Three members of the Committee will represent the three groups of the SIB (Teachers' Fund for Retirement (TFFR), Public Employees Retirement System (PERS), and elected and appointed officials). The other two members are to be selected from outside the SIB with strong either strong financial, risk, and/or auditing experience. Membership on the Committee will be for a term of one year or termination of term on the SIB. There is no limit to the number of terms that can be served on the Committee.

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

Please notify the Supervisor of Internal Audit, Sara Seiler, by Friday, June 2, 2023 if you are willing to continue to serve on the SIB Audit Committee through the end of the next fiscal year (July 1, 2023 to June 30, 2024). The Supervisor of Internal Audit can be reached via phone at 1.800.952.2970 or 701.328.9896 or via email at sseiler@nd.gov.

ND State Investment Board Resolution
In Appreciation of
Julie Dahle

WHEREAS, Julie Dahle has served as a member of the State Investment Board Audit Committee since 2019; and

WHEREAS, Julie Dahle has diligently carried out her duties and responsibilities as a member of the SIB Audit Committee and fiduciary of the SIB Program; and

WHEREAS, Julie Dahle has been a valued and dedicated member of the SIB Audit Committee in helping maintain the integrity and stability of the SIB Program.

NOW THEREFORE, BE IT RESOLVED that Julie Dahle be duly recognized by the SIB Audit Committee for her years of unselfish dedication to the State of North Dakota through her service on the SIB Audit Committee.

DATED this 11th day of May 2023

On Behalf of the SIB Audit Committee

Treasurer Thomas Beadle, Chair

Votes

Date