

AUDIT COMMITTEE MEETING

Wednesday, August 2, 2023 – 2:30 PM
Workforce Safety & Insurance Board Room
1600 E Century Ave Suite 1, Bismarck, ND 58503
[Click here to join the meeting](#)

AGENDA

- I. Call to Order and Approval of Agenda – Chair (committee action) (5 minutes)
 - a. Pledge of Allegiance
 - b. Introduction of Audit Committee Members
- II. Approval of May 11, 2023, Minutes – Chair (committee action) (5 minutes)
- III. Election of Chair, Vice Chair, and Liaison – Chair (committee action) (5 minutes)
- IV. 2023 - 2024 Affirmation of Code of Conduct Policy – Sara Seiler (information) (5 minutes)
- V. Executive Limitations/Staff Relations – Jan Murtha (informational) (10 minutes)
- VI. Update on Current Internal Audit Activities – Sara Seiler (committee action) (20 minutes)
 - a. Internal Audit Maturity Process
 - b. Internal Audit Workplan Update
- VII. 2022 - 2023 Year End Audit Activities Report – Sara Seiler (committee action) (20 minutes)
- VIII. 2022 - 2023 Audit Committee Report to SIB – Sara Seiler (committee action) (10 minutes)
- IX. Audit Charter: 2022 - 2023 Review of Responsibilities – Sara Seiler (committee action) (15 minutes)
- X. Resolution for Jon Griffin – (committee action)
- XI. Other – Next SIB Audit Committee Meeting
Workforce Safety & Insurance Board Room
1600 E Century Ave Suite 1, Bismarck, ND 58503
Tuesday, November 14, 2023 @ 2:30 PM
- XII. Adjournment

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

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
MAY 11, 2023, MEETING**

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

MEMBER ABSENT: Jon Griffin, External Representative

STAFF PRESENT: Rachel Kmetz, Accounting Mgr.
Missy Kopp, Exec. Assistant
Jan Murtha, Exec. Director
Sara Seiler, Suprv. of Internal Audit
Dottie Thorsen, Internal Auditor

GUESTS : Dean DePountis, Attorney General's Office
Bruce Mills, Weaver
Paul Niedermuller, CLA

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:38 p.m. on Thursday, May 11, 2023, 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 11, 2023, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 11, 2023, MEETING AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: MR. GRIFFIN AND MS. SMITH

MOTION CARRIED

MINUTES:

The minutes were considered for the February 15, 2023, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE FEBRUARY 15, 2023, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: MR. GRIFFIN AND MS. SMITH

MOTION CARRIED

2022-23 FISCAL YEAR (FY) FINANCIAL AUDIT SCOPE AND APPROACH:

Mr. Paul Niedermuller, CliftonLarsonAllen (CLA), reviewed the engagement scope of the audit of RIO's financial statements and TFFR's GASB 68 schedules as of June 30, 2023. The review included the work plan, significant financial audit areas, information technology, and the timeline of work. Committee discussion followed.

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

**AYES: MS. DAHLE, MR. MICKELSON, AND TREASURER BEADLE
NAYS: NONE
ABSENT: MR. GRIFFIN AND MS. SMITH**

INTERNAL AUDIT (IA) BUSINESS PROCESS REPORT:

Mr. Bruce Mills, Weaver, presented the IA Maturity Assessment results and recommendations. The engagement approach was based on IA standard requirements for an effective IA program. Weaver set goal and target maturity expectations with RIO management and conducted interviews with key staff and trustees. Using this information, Weaver developed a future state roadmap of actions, benefits, challenges, and key implementation steps for IA to achieve their desired maturity levels in the short and long term. Mr. Mills provided a summary of the assessment results, the IA maturity model, and ND RIO IA's maturity goals and target future state. The recommendations for staff and resources were presented. RIO is showing a shortfall in anticipated audit hours and the current team structure does not appear to have the capacity to meet the typical IA plan. These shortfalls can be addressed through additional headcount or external resources. Additional resources will be needed to address the additional complexity added by the internal investment program. Those resources include additional training in investment products, audit procedures, and required controls, external assistance, and additional junior level auditors. Committee discussion followed.

Ms. Smith joined the meeting at 3:07 pm.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE RECOMMENDATIONS FROM THE IA BUSINESS PROCESS REPORT.

**AYES: MS. DAHLE, MR. MICKELSON, MS. SMITH, AND TREASURER BEADLE
NAYS: NONE
ABSENT: MR. GRIFFIN
MOTION CARRIED**

2023-24 IA WORKPLAN AND BUDGETED HOURS:

Ms. Seiler presented the 2023-24 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 updates to the workplan. A recommendation from the IA Business Process Assessment, was to add hours for special projects that come up during the year. Committee discussion followed.

IT WAS MOVED BY MS. SMITH AND SECONDED BY MS. DAHLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE 2023-24 IA WORKPLAN AND BUDGETED HOURS.

**AYES: MS. DAHLE, MS. SMITH, MR. MICKELSON, AND TREASURER BEADLE
NAYS: NONE**

**ABSENT: MR. GRIFFIN
MOTION CARRIED**

EXECUTIVE LIMITATIONS/STAFF RELATIONS:

Ms. Murtha provided the Executive Limitations/Staff Relations report. The new Investment Accountant started this week, so RIO is fully staffed. The new Legal and Accounting Interns start next week for the summer. Ms. Murtha reviewed current projects including the IA Maturity Assessment. Ms. Murtha reviewed RIO's strategic plan and the goals that required legislative changes. With the legislation that was approved this session, we have achieved all the goals that were set in our strategic plan. Committee discussion followed.

THIRD QUARTER AUDIT ACTIVITIES:

Ms. Seiler provided an update on IA activities for the quarter ended March 31, 2023. Investment and agency audit activities included the Executive Limitations Audit, Executive Review and Compensation Committee, employee exit review, onboarding and offboarding procedures review, and the IA business process review. IA activities for the retirement program included a Model 2 Partial Salary review, Pioneer Project, and an actuarial services RFP. Committee discussion followed.

CUURENT 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. DAHLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE THIRD QUARTER AND CURRENT AUDIT ACTIVITIES REPORTS.

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

NAYS: NONE

ABSENT: MR. GRIFFIN

MOTION CARRIED

2023-24 SIB AUDIT COMMITTEE SCHEDULE:

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE 2023-24 SIB AUDIT COMMITTEE MEETING SCHEDULE.

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

NAYS: NONE

ABSENT: MR. GRIFFIN

MOTION CARRIED

AUDIT COMMITTEE MEMBERSHIP:

Ms. Seiler reviewed committee membership. Committee members serve 1-year terms with no limit on the number of terms served. Ms. Seiler asked the current members to notify her if they are willing to continue serving on the Committee for the 2023-24 fiscal year. Ms. Dahle has already notified Ms. Seiler that she is not planning to serve another term. Ms. Seiler discussed the process for finding outside representatives to serve on the Committee.

RESOLUTION FOR JULIE DAHLE:

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

IT WAS MOVED BY MS. SMITH AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE BOARD RESOLUTION.

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

NAYS: NONE

ABSENT: MR. GRIFFIN

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



MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Seiler, Supervisor of Internal Audit

DATE: August 2, 2023

RE: Election of Officers

Pursuant to the SIB Audit Charter the Committee will elect a Chair, and a Vice Chair. The Chair will preside at all meetings of the Committee. In the absence of the Chair, the Vice Chair will perform the duties of the Chair.

- **SIB Audit Chair**
(Currently Treasurer Thomas Beadle)
- **SIB Vice Chair**
(Currently Vacant)

The audit charter also requires a liaison to be appointed by the Audit Committee Chair. The liaison will report annually to the SIB on the results of the independent audit and at least four times a year to the SIB and TFFR board on the activities of the Committee and other pertinent information.

- **Liaison – Appointed by Audit Committee Chair**
(Currently Supervisor of Internal Audit, Sara Seiler)

**COMMITTEE ACTION. Nominate and approve Chair and Vice-Chair.
Chair to appoint Liaison.**

MEMORANDUM

To: SIB Audit Committee

From: Nitin Vaidya

Date: July 28, 2023

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 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 acquired information unavailable to the general public, through participation on the board.

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

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

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BOARD MEMBERS' CODE OF CONDUCT

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

Policy Implemented: June 23, 1995.

Amended: January 22, 1999, February 25, 2011, January 27, 2012, February 27, 2015.

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 14, 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:

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

Position Title*	Status
Sr. Investment Accountant	Posted internally 7/7/23, closed 7/12/23.
Fiscal/Investment Administrative Assistant	Posted 6/28/23, closes 7/17/23.

*New FTEs granted by the 2023 Legislative Assembly. Remaining new FTEs related to the Internal Investment program are expected to be posted by March 2024.

II. 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 continues to vary from 5 to 25 hours or more per week.
- **TFFR Actuary** – The TFFR Board selected a new actuary for the upcoming biennium. Staff has been working to coordinate transitioning actuary activities from Segal to GRS.
- **TFFR Medical Consultant** – The TFFR Medical Consultant contract has been renewed with Sanford Health.
- **Northern Trust Initiative** – In an effort to enhance the infrastructure for the investment program the Investment and Fiscal teams continues to coordinate with Northern Trust for additional functionality/capabilities.
- **Annual Audit Activities** – Staff has been coordinating activities with CLA to complete external audit activities for this past fiscal year.
- **Audit Consultant Report** - Staff is working on a project plan to present to the Audit committee in August to implement recommendations from Weaver Consulting. This plan includes internal activities as well as a future RFP for co-sourcing activities.
- **Compensation Study RFP** - An RFP for a Compensation Study was issued for consultant services necessary to prepare and present an incentive compensation plan for approval to the Board and develop compensation goals for agency positions. The ERCC will meet in August to interview and select the consultant.
- **Benchmark Consultant RFP** - An RFP was issued for an independent third-party consultant to provide benchmarking services. These services are necessary for the creation of an internal investment program. No responses were received by the initial or extended RFP deadline.

Staff is proceeding under an agency procurement exception allowed in century code to reach out to potential vendors to procure these services. The Investment Committee is scheduled to interview potential vendors in August.

III. Board & Committee Presentations May 19, 2023, through July 21, 2023

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

- **NDPERS Investment Subcommittee – 5/30/23**
- **BoardSmart ESG Panel – 6/1/23**
- **NCTR Director’s meeting – 6/7/23 – 6/9/23**
- **SIB Securities Litigation Committee - 6/14/23, 7/6/23, 7/7/23**
- **SIB Investment Committee – 6/16/23, 7/14/23**
- **SIB GPR Committee – 6/20/23, 7/17/23**
- **Legacy & Budget Stabilization Fund Advisory Board - 6/21/23**
- **TFFR Board Retreat – 6/22/23**
- **Legislature - Budget Section – 6/29/23**
- **City of Bismarck (Pension) – 7/12/23**
- **Retirement Education Workshop – 7/19/23**
- **TFFR meeting – 7/20/23**
- **SIB meeting – 7/21/23**

IV. New Board Members and Board Member Onboarding

As a result of H.B. 1088 and an amendment to the S.B. 2015 (OMB Budget bill) relating to the PERS Board during the legislative session the composition of the State Investment Board membership has significantly changed. As individuals that will be serving on the SIB are identified RIO staff will reach out to begin the onboarding process. The SIB GPR committee has worked with staff to update and enhance the new board member onboarding process and curriculum. We have tentatively scheduled a group new board member onboarding education session on Wednesday, August 2, 2023, in the Governor’s Conference room. All current board and committee members are also invited to attend. An agenda for the remaining curriculum will be distributed at that time.

V. Executive Director Education/Travel Activities

During June 2023, I attended two conferences:

- National Council on Teacher Retirement (NCTR) Director’s Meeting in Madison, WI (6/7/23 – 6/9/23); and
- National Association of Public Pension Attorney’s (NAPPA) legal education conference in San Antonio, TX (6/27/23 – 6/30/23).

Both conferences provide an opportunity to receive education on public pension plan administration and public sector institutional investor topics and learn from other states.



MEMORANDUM

TO: SIB Audit Committee

FROM: Sara Seiler, Supervisor of Internal Audit

DATE: August 2, 2023

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

RIO/Investment Activities

IA staff attended the following meetings: biweekly manager meetings, biweekly staff meetings and monthly Fiscal/Organization meetings. IA staff also attended the SIB, TFFR, SIB Investment Committee, and SIB GPR meetings.

As part of the Executive Limitation Audit, the Supervisor of IA will send out customer surveys to investment clients in August 2023 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.

IA staff attended meetings on the fiscal year-end activities. The meetings ensure coordination among the RIO Divisions for the upcoming 2022/23 audit activities. CLA was onsite at RIO conducting fieldwork in June of 2023 and will return the last week of August of 2023 to complete fieldwork. IA is providing assistance during the 2022/23 financial audit of the RIO as well as the GASB 68 census data audits. On June 28, 2023, the Supervisor of IA sent the GASB 68 correspondence to the employer sample selected by CLA.

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.

The Supervisor of IA attended meetings on updating policies in the Administrative Handbook. The following policies were reviewed or developed: the Onboarding/Offboarding policy, Separation Policy, and AI policy.

The SIB Audit Committee approved the final report presented by Weaver and Tidwell, LLP on the Internal Audit Business Process Review at the May 2023 Audit Committee meeting. The Supervisor of IA is working on project coordination and research to achieve short-term and medium-term goals within the Division.

IA staff attended the Association of Public Pension Fund Auditors professional development conference in June of 2023 held in Madison Wisconsin. Staff earned 19.5 hours of CPE. IA also completed the Risk Management and Workforce Safety annual training.

TFFR Activities

The development sessions for Pilot 3 of the Pioneer project concluded July 17, 2023. Pilot 4 will begin around August 1, 2023. Pilot 4 focuses on the design, appearance, and usability of the employer and member portals. Since the May 2023 Audit Committee meeting, the Internal Auditor attended approximately fifty elaboration meetings.

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

TFFR selected a new actuary for the upcoming Biennium. IA staff attended meetings to coordinate the transition from Segal to GRS.

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 onsite for the audit fieldwork the last week of August 2023.

The Internal Auditor will continue Phase 2 for the Model 2 Partial Audit and reconcile salaries for the sample members.

Pilot 4 of the Pioneer Project will begin in August of 2023.



MEMORANDUM

To: SIB Audit Committee

From: Sara Seiler, Supervisor of Internal Audit

Date: August 2, 2023

RE: Internal Audit Maturity Process

At the May 11, 2023 Audit Committee meeting, Weaver presented Internal Audit Maturity Assessment. The assessment had recommendations on how the Internal Audit Division can advance its level of maturity. The recommendations were broken out into short-, mid-, and long-term for implementation.

The Executive Director, Chief Financial Officer/Chief Operating Officer, and the Supervisor of Internal Audit have created a steering committee for this project and implementation of the recommendations. A request for proposal (RFP) is being developed for additional resources to implement the recommendations. Due to budget constraints the steering committee will be looking at what can be done internally versus outsourced.

A special Audit Committee meeting will need to be held in September 2023 to approve the RFP.



MEMORANDUM

To: SIB Audit Committee

From: Sara Seiler, Supervisor of Internal Audit

Date: August 2, 2023

RE: Internal Audit Workplan Update

The Internal Audit Workplan was approved at the May 11, 2023 meeting. There were hours allocated for special projects as they arise. With the Legislature approving funding for internal investments, Internal Audit has been asked to participate with the RFP development and scoring. This RFP will be focused on compliance, regulatory, legal, and audit requirements pertaining to internal investing.

Internal Audit staff is requesting the approval to use special project hours to be allocated to internal investment development.

MEMORANDUM

To: SIB Audit Committee

From: Sara Seiler, Supervisor of Internal Audit

Date: July 18, 2023

RE: 2022 – 2023 Year End Audit Activities Report

Audit coverage was based on the July 1, 2022, through June 30, 2023, the work plan was approved by the SIB Audit Committee in May of 2022. The audit activities undertaken were consistent with the Internal Audit charter and goals, and the goals of the Retirement and Investment Office (RIO). Internal Audit effort was directed towards RIO's needs and the concerns of management and the SIB Audit Committee.

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 and Compensation Committee survey administered to members of the SIB at the request of the SIB Executive Review and Compensation Committee.

2022-2023 ACTUAL ACTIVITIES:

- The Executive Limitation Audit was completed on February 15, 2023.
- The Executive Director Effectiveness Survey was completed April 2023.
- The SIB Executive Review Committee Survey was completed April 2023.
- The SIB Client Survey was completed and reported on October 28, 2022.

- **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.

2022-2023 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 17, 2023.

- **Internal Audit Business Review**

AUDIT PLAN REQUIREMENTS: This project was a part of the workplan originally called Succession and Strategic Planning. Internal Audit along with the Executive Team launched a project to evaluate and assess the Internal Audit Division's current and future needs.

2022-2023 ACTUAL ACTIVITIES:

- The RFP was issued in September 2022, with Weaver & Tidwell, LLP being selected. The project kicked off in November 2022 with Internal Audit staff providing information and having weekly meetings. The final report was issued and presented to the Audit Committee by Weaver & Tidwell, LLP in May 2023.

• **Payroll Audit**

AUDIT PLAN REQUIREMENTS: This audit was added in August 2022 at the request of the Executive Director and was not a part of the original audit work plan. In fiscal year 2022 there was several staffing changes, including temporary increases, legislative increases, overtime, promotions, new hires, and various bonuses. The objective of this audit was to determine that operating procedures and internal controls provide adequate assurance that authorized transactions are processed completely and accurately.

2022-2023 ACTUAL ACTIVITIES:

- The audit was issued on November 14, 2022.

• **Employee Exit Review**

AUDIT PLAN REQUIREMENTS: This review was added in January 2023 and was not a part of the original audit work plan. 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.

2022-2023 ACTUAL ACTIVITIES:

- 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.

• **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.

2022-2023 ACTUAL ACTIVITIES:

- IA provided assistance to our external audit partners CLA during the 2022 financial audit of RIO as well as the GASB 68 census data audit.

• **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.

2022-2023 ACTUAL ACTIVITIES:

- Hours allocated to this particular task were reallocated to other higher priority audit activities. As Internal Audit gets additional resources, staff will work towards incorporating this assessment.

- **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.

2022-2023 ACTUAL ACTIVITIES:

- Hours allocated to this audit were reallocated to other higher priority audit activities. As Internal Audit gets additional resources, staff will work towards incorporating this audit.

- **Administrative Manual Update - Consulting**

AUDIT PLAN REQUIREMENTS: The Deputy Executive Director/Chief Retirement Officer, Executive Assistant, and Supervisor of IA reviewed existing policies and recommended additional policies.

2022-2023 ACTUAL ACTIVITIES:

- This project is ongoing.

- **RIO Onboarding and Offboarding Procedures**

AUDIT PLAN REQUIREMENTS: The onboarding and offboarding procedures was not a part of the original work plan. A working group consisting of Deputy Executive Director/Chief Retirement Officer, Chief Financial Officer/Chief Operating Officer, Supervisor of Internal Audit, Executive Assistant, and Contracts/Records Administrative Assistant worked on this project. The group reviewed and enhanced RIO's onboarding and offboarding procedures.

2022-2023 ACTUAL ACTIVITIES:

- This project is ongoing.

- **TFFR Model 2 Partial Review**

AUDIT PLAN REQUIREMENTS: 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 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 audit will help ensure the accuracy of the data for the conversion.

2022-2023 ACTUAL ACTIVITIES:

- This review is currently in progress and is estimated to be completed in second quarter of fiscal year 2024.

- **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.

2022-2023 ACTUAL ACTIVITIES:

- The audit was completed on October 27, 2022.

- **TFFR Death Audit**

AUDIT PLAN REQUIREMENTS: The purpose of the audit is to ensure that the deaths of TFFR members were processed in a timely manner and that overpayment of benefits did not occur. If benefits were overpaid in error, Internal Audit verifies that overpaid amounts were recovered. Deaths opened will be reviewed to ensure the proper documents are on file and that accounts are closed. Other information reviewed in the audit are the monthly North Dakota Vital Statics reports and the weekly PBI reports.

2022-2023 ACTUAL ACTIVITIES:

- Hours allocated to this audit were reallocated to other higher priority audit activities.

- **TFFR Pioneer Project**

AUDIT PLAN REQUIREMENTS: Internal audit staff participates in the design and elaboration meetings of the Pioneer Project.

2022-2023 ACTUAL ACTIVITIES:

- Stage 3 of the Pioneer project started in the previous fiscal year. Pilots 1 & 2 were completed during the fiscal year. Pilot 3 was completed in July 2023. Internal Audit staff participated in elaboration meetings.

- **TFFR Actuarial Audit**

AUDIT PLAN REQUIREMENTS: This project was not a part of the original work plan. The TFFR Governance Manual requires the TFFR Board to hire an independent actuary to perform an actuarial audit. The Executive Director, Deputy Executive Director/Chief Retirement Officer and Supervisor of Internal Audit reviewed and scored the RFPs in August 2022. The TFFR Board selected from the finalists at their September 2022 meeting. The actuarial audit was completed and presented to the TFFR Board at their January 2023 meeting.

2022-2023 ACTUAL ACTIVITIES:

- This audit was completed in December 2022 by GRS and presented to the TFFR Board in January 2023.

- **TFFR Actuarial Services RFP**

AUDIT PLAN REQUIREMENTS: This project was not a part of the original work plan. Staff has prepared a request for proposal (RFP) for actuarial and consulting services for the period starting July 1, 2023, ending June 30, 2025. The 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 2023.

2022-2023 ACTUAL ACTIVITIES:

- The TFFR Board made a selection from the finalists at their April 2023 meeting.

- **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).

2022 - 2023 ACTUAL ACTIVITIES:

- IA Staff attended an APPFA conference in June 2023. Sessions were System Implementations, IIA Standards, External Managers, Data Analytics, Asset Allocations, Pension Designs, Public Pension Sponsors, Soft Skills Training, and Information Security.
- Attended RIO staff training.
- 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, records retention, email, etc. were carried out in accordance with the approved audit plan in fiscal year 2022-2023.

MEMORANDUM

To: State Investment Board (SIB)

From: SIB Audit Committee

Date: August 2, 2023

**RE: Fiscal Year End Audit Committee Activities
July 1, 2022 to June 30, 2023**

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 2022 - 2023 fiscal year were:

Treasurer Thomas Beadle, Elected and Appointed Officials, Chair
Yvonne Smith, PERS Board, Vice Chair
Cody Mickelson, TFFR Board
Julie Dahle, External Member
Jon Griffin, External Member

The Audit Committee held four regular meetings for the fiscal year ended June 30, 2023. The meetings occurred: August 9, 2022, November 15, 2022, February 15, 2023, and May 11, 2023.

Activities of the Audit Committee during the past year included:

- The Committee approved a July 1, 2022 through June 30, 2023 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, 2022.
 - 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 17, 2023 SIB meeting.
 - Internal Audit Business Review - The Supervisor of Internal Audit and the Executive Team developed an RFP to review and evaluate the needs of the Internal Audit division. The RFP was issued in September 2022, with Weaver & Tidwell, LLP being selected. The project kicked off in November 2022 with Internal Audit staff providing

information and having weekly meetings. The final report was issued and presented to the Audit Committee by Weaver & Tidwell, LLP in May 2023.

- Payroll Audit –RIO management requested Internal Audit to perform a payroll audit for the period of January through August 2022. The payroll audit compared the payroll records, documentation, and the ND transparency website. The payroll audit encompassed new hires, temporary increases, promotions, legislative increases, any bonuses, and any other pay changes. The audit was issued on November 14, 2022.
- 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.
- RIO Onboarding and Offboarding Procedures – 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.
- TFFR File Maintenance Audit – Internal Audit reviewed system generated (CPAS) audit tables to ensure transactions initiated by staff are expected and appropriate given an individual's role with the organization. Member account information from Member Action Forms, Address Change Forms, Direct Deposit Authorization Forms, and Point of Contact Forms are reviewed to verify that contact and demographic information has been updated correctly. A sample of purchases, refunds, and deaths were reviewed as part of the of audit. The audit was issued on October 27, 2022.
- TFFR Model 2 Partial 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 – Stage 3 of the Pioneer project started in the previous fiscal year. Pilots 1 & 2 were completed during the fiscal year. Pilot 3 was completed in July 2023. Internal Audit staff participated in elaboration meetings.
- TFFR Actuarial Audit – TFFR Governance Manual requires the TFFR Board to hire an independent actuary to perform an actuarial audit. The Executive Director, Deputy Executive Director/Chief Retirement Officer and Supervisor of Internal Audit reviewed and scored the RFPs in August 2022. The TFFR Board selected from the finalists at their September 2022 meeting. The actuarial audit was completed and presented to the TFFR Board at their January 2023 meeting.
- TFFR Actuarial Services RFP – Staff has prepared a request for proposal (RFP) for actuarial and consulting services for the period starting July 1, 2023, ending June 30, 2025. The 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 2023. The TFFR Board made a selection from the finalists at their April 2023 meeting.
- 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 2022-2023 and the 2023-2024 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 a conference which covered a variety of topics (System Implementations, IIA Standards, External Managers, Data Analytics, Asset Allocations, and Information Security). Internal Audit staff also attended free webinars throughout the year as available.
- The Committee received the results of the RIO financial audit for the fiscal year ended June 30, 2022 from independent auditors, CliftonLarsonAllen, LLP. They issued an unmodified "clean" opinion.
- The Committee reviewed the RIO financial audit plan for fiscal year ended June 30, 2023 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, 2023 to June 30, 2024.

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.

**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	41.00	210
SIB Self-Evaluation			8.00		8

Retirement Program Activities/Audits:

TFFR Pension Data System - Pioneer Project	140	242	227	220.75	830
TFFR Model 2 Partial Review	108	17	35	50.00	210
TFFR File Maintenance Audit	125	6	5.25		136
TFFR Actuarial Audit	16	4	2.50		23
TFFR Actuarial RFP			20.00		20
TFFR Misc.	41	21	22.25	32.50	117

Agency Activities/Audits

Administrative Policy Review	10	68		20.00	98
Internal Audit Business Process Review	58	45	42.50	67.75	213
Payroll Audit	19	27			46
Records Management		14	67.00	36.75	118
RIO External Auditor Assistance	39	30	1.00	13.00	83
Onboarding & Offboarding Review			3.00	9.00	12
Employee Exit Review			40.50		41
Professional Development/CE/General Education	2	24	5.00	90.00	121

Administrative Activities

Administrative - Staff Mtgs, Time Reports, Email, General Reporting, Performance	147	133	150.75	197.75	628
Audit Committee Attendance and Preparation	102	82	134.75	100.00	418
SIB/TFFR Attendance and Preparation	61	50	24.75	39.75	175
Annual Leave, Sick Leave, and Holidays	162	263	124.00	136.75	685
Quarterly Total:	1041	1040	1053	1055	4189

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: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: August 2, 2023

SUBJECT: Audit Charter: 2022 - 2023 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 11, 2023, members of the Committee met with representatives from RIO's independent audit firm, CliftonLarsonAllen. The July 1, 2022 to June 30, 2023 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 15, 2022 and May 11, 2023, 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 15, 2022, the Committee received, reviewed, and approved the June 30, 2022 Financial 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 present. Following approval by the Committee, the financial statement audit was provided to the SIB who subsequently provided the approval at their next regularly scheduled meeting. At the February 15, 2023 Committee meeting the 2022 GASB 68 Schedule Audit Report was approved.*

- Consider the effectiveness of the RIO's internal control system, including information technology security and control.
 - *On November 15, 2022 and May 11, 2023, 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 15, 2022, the Committee received, reviewed, and approved the June 30, 2022 Financial Audit Report. 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. On February 15, 2023, the Committee received, reviewed, and approved the 2022 GASB 68 Schedule Audit Report of RIO.

- 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 2023.*

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. Internal Audit is working towards compliance with the International Standards for the Professional Practice of Internal Auditing but is currently not in compliance with all standards.*
- 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 9, 2022. The Committee is provided an update regarding the activities of Internal Audit on a quarterly basis. RIO management and Internal Audits' staff had an external review of the Internal Audit Division in fiscal year 2023. The final report was presented, reviewed, and approved by the Committee at the May 11, 2023 meeting.*
- Review and approve the annual risk-based audit work plan and all major changes to the plan.
 - *On May 11, 2023 the Committee approved the 2023-2024 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, 2022 and ending March 31, 2023. No changes were made to Internal Audit staffing during fiscal year 2023. Salary increases for equity and 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 updates of agency activities.*
- Review the adequacy of the organization’s policy on risk management.
 - *The Administrative Manual was revised during the FY 2023, 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.
 - *An 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 2023.*

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 August 9, 2022, November 15, 2022, February 15, 2023, and May 11, 2023.*
- Provide a written report annually to the SIB, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.
 - *The annual written report was provided to the SIB on August 26, 2022, for fiscal year 2022.*

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 updates of agency activities and reports from CLA.*
- 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.
 - *No requests from the SIB were made in fiscal year 2023.*
- Institute and oversee special investigations as needed.
 - *No special investigations were instituted or needed during fiscal year 2023.*
- 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 2023 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 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 the Charter.*

ND State Investment Board Resolution
In Appreciation of
Jon Griffin

WHEREAS, Jon Griffin has served as a member of the State Investment Board Audit Committee since 2018; and

WHEREAS, Jon Griffin has diligently carried out his duties and responsibilities as a member of the SIB Audit Committee and fiduciary of the SIB Program; and

WHEREAS, Jon Griffin 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 Jon Griffin be duly recognized by the SIB Audit Committee for his years of unselfish dedication to the State of North Dakota through his service on the SIB Audit Committee.

DATED this 2nd day of August 2023

On Behalf of the SIB Audit Committee

Treasurer Thomas Beadle, Chair

Votes

Date