

## AUDIT COMMITTEE MEETING

Thursday, February 15, 2024 – 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 – *(Committee Action)*
- II. APPROVAL OF MINUTES (November 14, 2023 & January 18, 2024) *(Committee Action)*
- III. PIONEER PROJECT UPDATE (15 minutes) *(Information)* – Mr. Roberts
- IV. EXECUTIVE LIMITATIONS/STAFF RELATIONS (10 minutes) *(Information)* – Ms. Murtha
- V. AUDIT COMMITTEE CHARTER (10 minutes) *(Committee Action)* – Ms. Seiler
- VI. SECOND QUARTER AUDIT ACTIVITIES (20 minutes) *(Committee Action)* – Ms. Seiler
  - a. Executive Limitations Audit
- VII. IA MODERNIZATION PROJECT UPDATE (10 minutes) *(Information)* - Ms. Seiler
- VIII. CURRENT IA ACTIVITIES UPDATE (10 minutes) *(Committee Action)* – Ms. Seiler
- IX. OTHER

Next SIB Audit Committee Meeting:  
Workforce Safety & Insurance Board Room  
1600 E Century Ave Suite 1, Bismarck, ND 58503  
Thursday, May 9, 2024 @ 2:30 PM
- X. ADJOURNMENT

**STATE INVESTMENT BOARD  
AUDIT COMMITTEE MEETING  
MINUTES OF THE  
NOVEMBER 14, 2023, MEETING**

**MEMBERS PRESENT:** Thomas Beadle, State Treasurer, Chair  
Dina Cashman, External Representative  
Cody Mickelson, TFFR Board  
Adam Miller, PERS Board  
Todd Van Orman, External Representative

**STAFF PRESENT:** Rachel Kmetz, Accounting Mgr.  
Missy Kopp, Exec. Assistant  
Jan Murtha, Exec. Director  
Sara Seiler, Suprv. of Internal Audit  
Ryan Skor, CFO/COO  
Dottie Thorsen, Internal Auditor  
Susan Walcker, Sr. Financial Accountant

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

**CALL TO ORDER:**

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:30 p.m. on Tuesday, November 14, 2023, at the Retirement and Investment Office, 1600 E Century Ave., Bismarck, ND.

The following Audit Committee members were present representing a quorum, Treasurer Beadle, Ms. Cashman, Mr. Mickelson, Mr. Miller, and Mr. Van Orman.

**AGENDA:**

The agenda was considered for the November 14, 2023, meeting.

**IT WAS MOVED BY MR. MILLER AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 14, 2023, MEETING AS DISTRIBUTED.**

**AYES: MS. CASHMAN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND TREASURER BEADLE**

**NAYS: NONE**

**MOTION CARRIED**

**MINUTES:**

The minutes were considered for the August 2, 2023, meeting.

**IT WAS MOVED BY MR. MILLER AND SECONDED BY MS. CASHMAN AND CARRIED BY A VOICE VOTE TO ACCEPT THE AUGUST 2, 2023, MINUTES AS DISTRIBUTED.**

**AYES: MR. VAN ORMAN, MR. MICKELSON, MR. MILLER, MS. CASHMAN, AND TREASURER BEADLE**

**NAYS: NONE**

**MOTION CARRIED**

**FINANCIAL AUDIT REPORT AND GASB 68 SCHEDULE AUDIT UPDATE:**

Mr. Niedermuller and Ms. Schulz, CliftonLarsonAllen (CLA), reviewed the results of the Retirement and Investment Office (RIO) financial statement audit for the period ended June 30, 2023. CLA issued an unmodified, clean, opinion that the financial statements are presented fairly, in all material respects, in conformity with the US Generally Accepted Accounting Principles (GAAP). An update was provided on the 2023 GASB 68 Schedules Audit. Employer census testing is complete and included individual employee census data at 12 separate employers. 125 total employers were tested and there were no findings. The GASB 68 Schedules audit will start this month. Committee discussion followed.

**IT WAS MOVED BY MR. MILLER AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE JUNE 30, 2023, FINANCIAL AUDIT REPORT.**

**AYES: MR. MILLER, MS. CASHMAN, MR. MICKELSON, MR. VAN ORMAN, AND TREASURER BEADLE**

**NAYS: NONE**

**MOTION CARRIED**

**INTERNAL AUDIT (IA) OVERVIEW:**

Ms. Seiler reviewed the history of the IA function at RIO, the SIB Audit Committee makeup and objectives, and the current IA structure. Ms. Seiler explained the Three Lines Model which is recommended by the Institute of Internal Auditors (IIA). RIO is working to bring our IA processes into compliance with IIA standards. Ms. Seiler reviewed the proposed changes for the 2024 IIA Standards. Committee discussion followed.

**EXECUTIVE LIMITATIONS/STAFF RELATIONS:**

Ms. Murtha reviewed RIO's strategic planning process. Board and Committee members will receive a brief survey. The responses will be used during the initial discussion with staff. Staff will present the draft strategic plan to the TFFR & SIB GPR Committees in February so both groups can provide feedback. The final plan will be presented to the Governor's Office and Boards in March.

Ms. Murtha provided an update on New Board Member Onboarding, staffing, and ongoing projects. RIO received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association and the TFFR program received the Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council. The results of the 2023 RIO Engagement Survey were provided. Committee discussion followed.

**INTERNAL AUDIT MATURITY PROCESS:**

Ms. Seiler reviewed the IA Maturity Development Work Plan including the proposed timeline. A Request for Proposal (RFP) for a co-sourcing relationship with an IA Consultant to complete a risk assessment and aid with the new IA manual, was provided for Committee feedback and approval. The Committee discussed the RFP and their involvement in the procurement process.

**IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MS. CASHMAN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE IA MATURITY WORKPLAN.**

**AYES: MR. VAN ORMAN, MS. CASHMAN, MR. MICKELSON, MR. MILLER, AND  
TREASURER BEADLE  
NAYS: NONE  
MOTION CARRIED**

**IT WAS MOVED BY MR. MILLER AND SECONDED BY MS. CASHMAN AND CARRIED BY A  
ROLL CALL VOTE TO APPROVE THE IA MATURITY DEVELOPMENT RFP AND TO HAVE  
FINALIST PRESENTATION BROUGHT TO THE COMMITTEE IN JANUARY 2024.**

**AYES: MS. CASHMAN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND  
TREASURER BEADLE  
NAYS: NONE  
MOTION CARRIED**

**AUDIT COMMITTEE & INTERNAL AUDIT CHARTERS:**

Ms. Seiler reviewed proposed changes to the Audit Committee and Internal Audit charters. The IA charter is essentially all new. Ms. Seiler noted how each section of the proposed charter addressed recommendations from the IA Maturity Assessment. Committee discussion followed.

**IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MR. MILLER AND CARRIED BY  
A ROLL CALL VOTE TO APPROVE THE IA CHARTER.**

**AYES: MR. VAN ORMAN, MR. MICKELSON, MR. MILLER, MS. CASHMAN, AND  
TREASURER BEADLE  
NAYS: NONE  
MOTION CARRIED**

**FIRST QUARTER AUDIT ACTIVITIES:**

Ms. Seiler reviewed the IA activities for the quarter ended September 30, 2023. The customer satisfaction survey was completed as part of the Executive Limitations Audit. This survey will be administered by the Communications and Outreach Director in the future. An overview was provided of external audit support, SIB governance policy review, employee exit interviews, and administrative policy review. The IA Supervisor provided a presentation as part of the New Board Member Onboarding in August 2023. Ms. Seiler reviewed the retirement program audit activities for the quarter. Committee discussion followed.

**IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MR. MILLER AND CARRIED BY  
A ROLL CALL VOTE TO ACCEPT THE FIRST QUARTER AUDIT ACTIVITIES REPORT.**

**AYES: MR. MILLER, MS. CASHMAN, MR. MICKELSON, MR. VAN ORMAN, AND  
TREASURER BEADLE  
NAYS: NONE  
MOTION CARRIED**

**CURRENT IA ACTIVITIES:**

Ms. Seiler provided an update on current IA activities including current audits in progress and meetings attended. For the retirement program, IA is currently working on the Model 2 Partial review and hopes to have the report ready by February 2024. IA staff continue to participate in the Pioneer Project and have participated in AI training and discussions. The IA supervisor provided a presentation to new Business Managers on November 2, 2023. Committee discussion followed.

**IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MR. MILLER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE CURRENT IA ACTIVITIES REPORT.**

**AYES: MR. VAN ORMAN, MS. CASHMAN, MR. MICKELSON, MR. MILLER, AND TREASURER BEADLE**

**NAYS: NONE**

**MOTION CARRIED**

**OTHER:**

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 4:46 p.m.

Prepared by:

Missy Kopp, Assistant to the Board

**STATE INVESTMENT BOARD  
AUDIT COMMITTEE MEETING  
MINUTES OF THE  
JANUARY 18, 2024, SPECIAL MEETING**

**MEMBERS PRESENT:** Thomas Beadle, State Treasurer, Chair  
Dina Cashman, External Representative  
Cody Mickelson, TFFR Board  
Adam Miller, PERS Board  
Todd Van Orman, External Representative

**STAFF PRESENT:** Missy Kopp, Exec. Assistant  
Jan Murtha, Exec. Director  
Emmalee Riegler, Procurement/Record Mgt. Coord.  
Sara Seiler, Suprv. of Internal Audit  
Ryan Skor, CFO/COO  
Dottie Thorsen, Internal Auditor

**GUESTS :** Dean DePountis, Attorney General's Office  
Gabe Hoggarth, State Procurement

**CALL TO ORDER:**

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:38 p.m. on Thursday, January 18, 2024, at the WSI Board Room, 1600 E Century Ave., Bismarck, ND.

The following Audit Committee members were present representing a quorum, Treasurer Beadle, Ms. Cashman, Mr. Mickelson, Mr. Miller, and Mr. Van Orman.

**AGENDA:**

The agenda was considered for the January 18, 2024, meeting.

**IT WAS MOVED BY MR. MILLER AND SECONDED BY MS. CASHMAN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE JANUARY 18, 2024, MEETING AS DISTRIBUTED.**

**AYES: MS. CASHMAN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND TREASURER BEADLE**

**NAYS: NONE**

**MOTION CARRIED**

**INTERNAL AUDIT MATURITY PROCESS PRESENTATIONS:**

Presentation 1:

**IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6) AND 54-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.**

**AYES: MR. VAN ORMAN, MR. MICKELSON, MR. MILLER, MS. CASHMAN, AND  
TREASURER BEADLE  
NAYS: NONE  
MOTION CARRIED**

The executive session started at 2:43 p.m. and ended at 3:23 p.m. The session was attended by committee members, staff, Mr. DePountis, Mr. Hoggarth, and the presenters.

Presentation 2:

**IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. CASHMAN AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6) AND 54-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.**

**AYES: MR. MILLER, MS. CASHMAN, MR. MICKELSON, MR. VAN ORMAN, AND  
TREASURER BEADLE  
NAYS: NONE  
MOTION CARRIED**

The executive session started at 3:29 p.m. and ended at 3:23 p.m. The session was attended by Committee members, staff, Mr. DePountis, Mr. Hoggarth, and the presenters.

The Committee recessed at 4:07 p.m. and reconvened at 4:16 p.m.

Committee Discussion & Selection:

**IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6) AND 54-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.**

**AYES: MR. VAN ORMAN, MS. CASHMAN, MR. MICKELSON, MR. MILLER, AND  
TREASURER BEADLE  
NAYS: NONE  
MOTION CARRIED**

The executive session started at 4:19 p.m. and ended at 4:38 p.m. The session was attended by Committee members, staff, Mr. DePountis, and Mr. Hoggarth.

**IT WAS MOVED BY MS. CASHMAN AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO DIRECT STAFF TO ENTER INTO CONTRACT NEGOTIATION WITH THE FIRM MOST SUCEPTBLE TO AWARD.**

**AYES: MS. CASHMAN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND  
TREASURER BEADLE  
NAYS: NONE  
MOTION CARRIED**

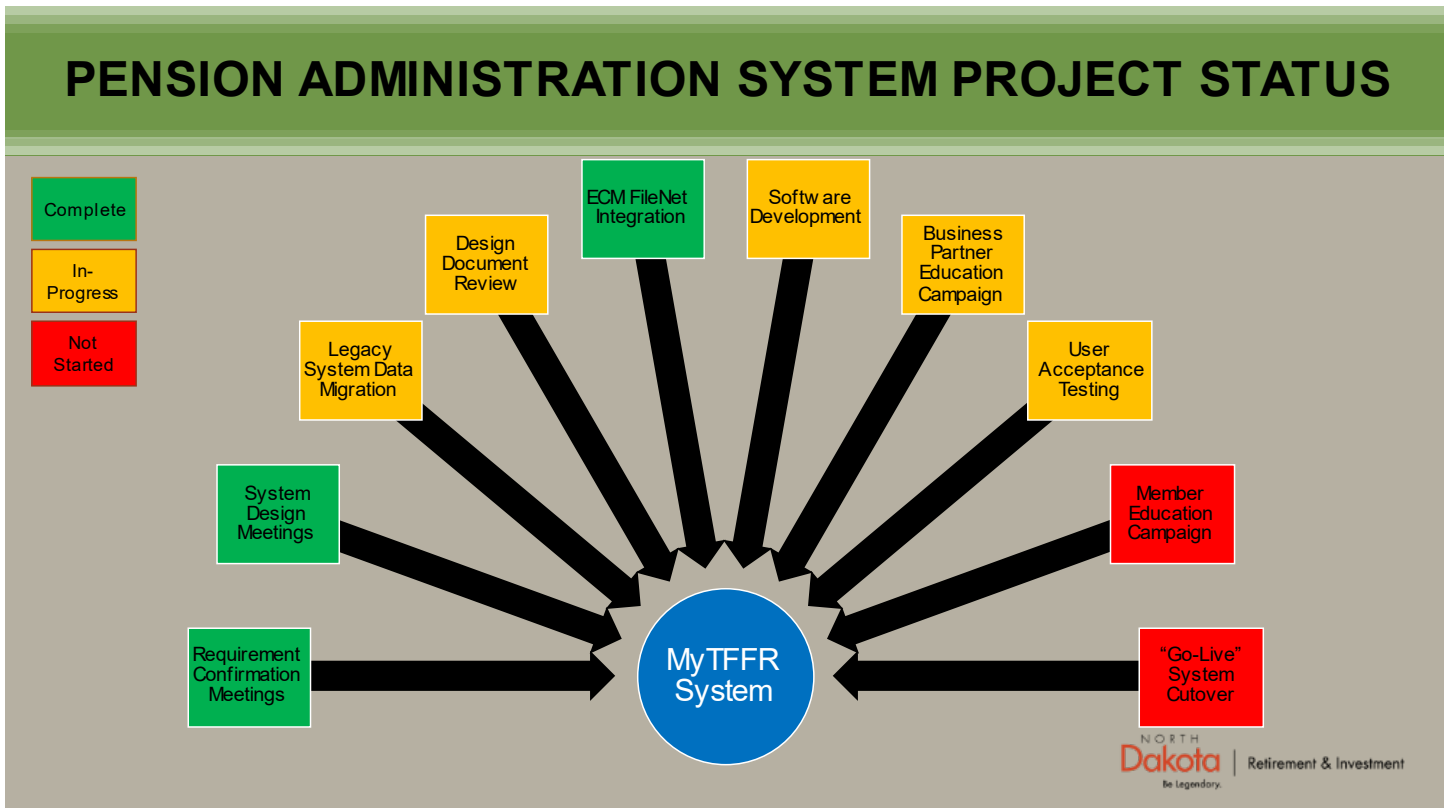
With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 4:41 p.m.

Prepared by: Missy Kopp, Assistant to the Board

## MEMORANDUM

**TO:** SIB Audit Committee  
**FROM:** Chad R. Roberts, DED/CRO  
**DATE:** February 9, 2024  
**RE:** February 2024 pension administration system project update

### Project Status



User acceptance testing has begun. This is an important milestone, as it allows Retirement Services and Fiscal staff to see the working product and begin to test processes and scenarios to ensure that the system is functioning appropriately. The user acceptance testing will continue through the end of August 2024 as additional elements of the system build are released for testing.

Data migration and testing slowed some during the months of November and December due to infrastructure issues faced by the vendor because of an offshore data breach and flooding in India. The incidents affected the servers and structure in India however, it did not expose any TFFR member data or other proprietary data. Data migration has resumed and is anticipated to finish on schedule.



The FileNet document migration to allow the new system to both utilize FileNet going forward and to retrieve existing documents from FileNet is now complete.

The “go-live” date for the project is presently slated for late October of 2024. This is later than the vendor initially sought, their target date was August of 2024. However, this date is the date that RIO stated was their preferred timeframe from the early stages of contract negotiation. Due to the development delays and other factors impacting the vendor, the vendor has now altered their desired target date to October 2024 as well.

### **Budget Status**

As of February 1, 2024, the project remains slightly under budget by approximately \$60,000 due to the savings found through the elimination of the SharePoint licensing listed in the contract by using the existing State SharePoint licensing.

### **Unanticipated Issues**

As mentioned above, there was both a data breach and mass flooding in India where the vendor has significant human and infrastructure resources. No TFFR member data was exposed in the breach since our contract requires all data to reside within the contiguous United States and Canada.

The breach and subsequent flooding did however cause a near full stop in production and development on the vendor’s side. Operations have since resumed, and the vendor is confident they can still meet deadlines and are making up for lost time.

The vendor is a defendant in two pending lawsuits. The first lawsuit is related to intellectual property theft relating to their unemployment insurance product and division. The division is not associated with the development, design, and deployment of the pension administration system however the lawsuit could result in a financial impact to the company that may have implications to the support of our product if they prove to be unsuccessful in their defense. That lawsuit is currently pending in federal court.

The second lawsuit is directly related to performance and contract issues related to the delivery of the vendor’s pension administration product. The plaintiff, the California Board of Regents, is seeking damages for budget overruns and contract breaches from both the vendor and the third-party consultant. While the vendor we have is the same vendor, our third-party consultant is a different entity. This lawsuit is pending in California state court.

**Board Action Requested:** Information only

## MEMORANDUM

**TO: SIB**  
**FROM: Jan Murtha, Executive Director**  
**DATE: February 12, 2024**  
**RE: Executive Limitations**

A verbal update will be provided at the meeting on staff relations and strategic planning. Including updates on the following topics:

### I. Strategic Planning

RIO staff began the strategic planning process in November by issuing a survey to obtain opinions from board, committee and staff members. Strategic planning sessions were conducted with representatives and managers from each agency division. These sessions involved reviewing the current strategic plan, reviewing the survey responses, and discussing both amendments to the current strategic plan as well as additional content requested by the Governor’s Office. Staff is presently creating action plans for next biennium goals. Drafts of the updated strategic plan action items will be shared with the Governance and Policy Review committees of both the SIB and TFFR Board in February for additional feedback followed by a presentation to the Governor’s Office, RIO staff and each full board, in March.

### II. New Board & Committee Member Update

The next new board member onboarding meeting is tentatively scheduled for Wednesday, March 6, 2024, at 2pmCT. This meeting is virtual only and a Teams link will be provided. The topic of this training is Governance Manual Part 2, Jan Murtha Executive Director presenting.

### III. Retirements/Resignations/FTE’s/Temporary Assistance:

Position Title*	Status
Administrative Assistant (part-time - temporary)	Offer extended.

\*New FTEs related to the Internal Investment program are expected to be posted in Spring of 2024.

### IV. 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.
- **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.
- **Audit Consultant Report:** Staff has created an Executive Steering committee comprised of the ED, CFO/COO, and IA Supervisor to oversee a project to implement consultant recommendations related to

modernizing RIO's internal audit program. The Audit Committee approved procuring co-sourcing of some internal audit services to assist staff with implementing the recommendations. An RFP was issued and the Audit Committee interviewed finalists and selected a vendor at a special January Audit Committee meeting. As of the date of this memorandum the notice of award has been issued and contract negotiations are pending.

- **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. Staff has been working with the vendor to complete the project. A final presentation will be made to both the ERCC and full SIB in February.
- **Investment Program Software Solutions:** NDIT has determined that the investment software solution to provide the necessary infrastructure for internal investment management qualifies as a large IT project. RIO staff is working with NDIT and State Procurement through the procurement process. The Executive Steering Committee met in November and approved an RFP. The procurement process is pending.

## **V. Board & Committee Presentations.**

This section will be included in the Communications and Outreach Director quarterly report.

## **VI. Presentations/Conferences**

I have been appointed to the following committees: Investment Committee, National Association of Public Pension Attorneys (NAPPA) and Legislative Committee 2024, National Council on Teacher Retirement.

I will also attend the winter meetings of NAPPA, NCTR, NASRA, and NIRS in February.

Staff is participating as a speaker on the following panels:

Jan Murtha, "Participant Education and Communication," NAPPA Winter Seminar, Feb. 21-23, 2024.

Lance Zietlow, "Manager Selection: Everybody Sounds the Same," Pension Bridge Private Credit, Feb. 26-27, 2024

Scott Anderson, "Re-strategizing the portfolio and optimizing due diligence in the market landscape," Private Equity International NEXUS 2024, March 6-8, 2024.

**Board Action Requested:** Board acceptance.



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## MEMORANDUM

**TO: SIB Audit Committee**  
**FROM: Sara Seiler, Supervisor of Internal Audit**  
**DATE: February 12, 2024**  
**RE: Audit Committee Charter**

The following changes are proposed for the Audit Committee Charter:

- Purpose and mission to align with SIB Governance Manual and Internal Audit Charter.
- Composition updated to reflect the composition changes on the State Investment Board.
- Responsibilities updated to reflect the SIB Governance Manual outlined oversight responsibilities.

**COMMITTEE ACTION REQUESTED: Approval of the proposed Audit Committee Charter**

# CHARTER OF THE AUDIT COMMITTEE OF THE NORTH DAKOTA STATE INVESTMENT BOARD

## PURPOSE AND MISSION

The Audit Committee (the Committee) is a standing committee of the North Dakota State Investment Board (SIB) created to fulfill its fiduciary oversight responsibilities of the North Dakota Retirement and Investment Office (RIO) and to serve as a communications link among the SIB, the RIO's management and Internal Audit staff, independent auditors, and others.

The Committee will assist with the SIB in carrying out its integrity oversight responsibilities as they relate to 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. of the RIO's financial reporting process and system of internal controls, the RIO's compliance with legal and regulatory requirements, the performance of the RIO's Internal Audit function and independent auditors, and the RIO's management of risks in the Committee's areas of responsibility. A. The purpose of the internal audit division is to provides an independent, objective assurance and consulting activity designed to add value and improve North Dakota Retirement and Investment Office (RIO's) operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal aAudit division will assist RIO in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## AUTHORITY

The Committee is authorized to provide oversight to the Internal Audit function and the independent audit for the RIO. These activities provide assurance that RIO's financial condition and results of operations are accomplished in accordance with the RIO's policies and procedures and legal and regulatory requirements. The Committee may investigate any activity of the RIO and may retain persons as necessary from within or outside the RIO having special competence to assist the Committee in the accomplishment of its responsibilities.

The RIO's Supervisor of Internal Audit will be the staff member reporting administratively to the Executive Director/~~Chief Investment Officer~~ and functionally to the Committee.

The Executive Director will supervise the administrative activities of the Internal Audit function and independent audit activities such as securing contracts, paying fees, maintaining official reports, and other appropriate activities.

## COMPOSITION

The Committee will consist of five members, selected by and approved by the SIB. Three members of the Committee will represent the three groups on the SIB: Legacy & Budget Stabilization Fund Advisory Board, a pension representative, member-at-large Teachers' Fund for Retirement (TFFR) Board, Public Employees Retirement System (PERS) Board, and elected and appointed officials,

and two members selected from outside of the SIB and the RIO. The SIB should select committee members who are both independent and financially literate.

Membership on the Committee will be for one year or termination of term on the SIB. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy. There will be no limit to the number of terms served on the ~~Committee~~Committee.

The Committee will elect a Chair, and a Vice Chair. A liaison will be appointed by the 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. 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.

The Committee may form, and delegate authority to, subcommittees when it deems appropriate.

### **MEETINGS**

The Committee will meet generally four times a year, with authority to convene additional meetings, as circumstances require or to adequately fulfill all the obligations and duties as outlined in this charter.

Meeting agendas will be prepared by the Supervisor of Internal Audit and approved by the Committee Chair, unless otherwise directed by the Committee and will be provided to the Committee members along with briefing materials before the scheduled committee meeting.

Committee members are expected to attend each meeting, in person or via tele- or video-conference. The Supervisor of Internal Audit, a representative of RIO's management team and others necessary to provide information and to conduct business will attend meetings. The Committee may invite staff of the RIO, auditors or others to attend meetings, as necessary. Meetings will be conducted in accordance with NDCC 44-04-17.1. The Committee may hold executive sessions as allowed under state law.

The Committee will act only on the affirmative vote of three of the committee members at a meeting. To conduct business, a quorum will be three members of the Committee. Should a quorum not be present before a scheduled meeting or during a meeting, the Chair will announce the absence of a quorum and the members will disburse. Meeting minutes will be prepared by the RIO, or as otherwise directed by the Committee. Approved meeting minutes of the Committee will be submitted to the SIB.

### **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.~~
- Internal and external audit programs
  - Includes financial and other reporting practices.
- Internal controls
- Compliance with laws, regulations, and ethics

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.
- Inquire as to any proposed changes in accounting or financial reporting procedures and of any unusual events that 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.
- Consider the effectiveness of the 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.
- Review non-audit services, if any, performed for the RIO by the independent auditors.

#### 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*.
- Review with the Executive Director and the Supervisor of Internal Audit the audit charter, activities, staffing, and organizational structure of Internal Audit.
- Review and approve the annual risk-based audit work plan and all major changes to the plan.
- Bring to attention of the Board any internal audit issues the Committee determines significant and appropriate for Board consideration.
- 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.

#### Risk Management

- Obtain information and/or training to enhance the Committee's understanding of organization and its related risk management processes.
- Review the adequacy of the organization's policy on risk management.
- Review the effectiveness of the organization's system for assessing, monitoring, and controlling significant risks or exposures.
- Review management's reports on risks and related risk mitigations.
- Hire outside experts and consultants in risk management, as necessary, subject to full board approval.

#### 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.



- Review the process for communicating and monitoring compliance with the code of ethics, code of conduct, and fraud policies.
- 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.
- Obtain updates from the RIO's management and legal counsel regarding compliance matters, as deemed necessary.

#### Reporting Responsibilities

- Report to the SIB about the Committee's activities, issues, and related recommendations.

Provide a written report annually to the SIB, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.

#### 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.
- 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.
- Serve as an open avenue of communication among the SIB, the RIO's management and Internal Audit, the independent auditors, and others.
- Serve as an appropriate confidential body for individuals to provide information on potentially fraudulent financial reporting or breaches of internal control.
- Inquire of management and Internal Audit regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices.
- Perform other activities related to this charter as requested by the SIB.
- Institute and oversee special investigations as needed.
- Review any other reports the RIO issues that relates to the Committee's responsibilities.
- Review and assess the adequacy of the Committee charter annually, requesting the SIB approval for proposed changes.
- Confirm annually the review of all responsibilities outlined in this charter.

**DATE OF CREATION OF COMMITTEE AMENDMENTS:** December 14, 1993

**DATE AUDIT COMMITTEE CHARTER ADOPTED AND APPROVED:** June 24, 1994

**REVISED:** November 22, 1996, February 13, 1997, November 6, 2001, May 19, 2006, May 18, 2007, June 26, 2009, May 19, 2016, January 25, 2019.

## **POLICY TYPE: GOVERNANCE PROCESS**

### **POLICY TITLE: STANDING COMMITTEES**

The board's standing committees are set forth in this policy as follows:

1. Audit Committee
2. Securities Litigation Committee
3. Executive Review and Compensation Committee
4. Governance and Policy Review Committee
5. Investment Committee

- A. The Audit Committee, Securities Litigation Committee, Executive Review and Compensation Committee, the Governance and Policy Review Committee, and the Investment Committee shall operate under the terms of a charter approved by the board.

#### **INTRODUCTION – Audit Committee**

An Audit Committee has been established as a standing committee of the State Investment Board (SIB). The Audit Committee will assist the SIB in carrying out its oversight responsibilities as they relate to 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 primary objective of the internal audit function is to assist the SIB and management in the effective discharge of their responsibilities. To this end, internal auditing will furnish them with analyses, appraisals, recommendations, and pertinent information concerning the activities reviewed.

Functions and units within RIO will be reviewed at appropriate intervals to determine whether they are effectively carrying out their responsibilities of planning, organizing, directing, and controlling in accordance with SIB and management instructions, applicable laws, policies, and procedures, and in a manner consistent with both the RIO objectives and high standards of administrative practice.

#### **POLICY OF THE STATE INVESTMENT BOARD – Audit Committee**

The audit staff shall have full, free, and unrestricted access to all RIO activities, records, property, and personnel relative to the subject under review. The audit function will be conducted in a manner consistent with acceptable professional standards and coordinated with others to best achieve the audit objectives and the RIO objectives.

The Internal Audit Services Unit is responsible for developing and directing a broad, comprehensive program of internal auditing within RIO. The Internal Audit Services Unit will report administratively to management and functionally to the Audit Committee of the SIB.

The RIO unit supervisors are responsible for seeing that corrective action on reported weaknesses is either planned or taken within 30 days from the receipt of a report disclosing those weaknesses if known or applicable. The unit supervisors are also responsible for seeing that a written report of action planned or completed is sent to the executive director. If a plan for action is reported, a second report shall be made promptly upon completion of the plan.

#### **INTRODUCTION – Securities Litigation Committee**

A Securities Litigation Committee (SLC) has been established as a standing committee of the State Investment Board (SIB). The SLC will assist the SIB in fulfilling its fiduciary oversight responsibilities of monitoring the investment assets entrusted to it by the various statutory and contracted funds, and to serve as a communications link for the SIB, RIO's management and staff, third party securities litigation firms, and others.

**RETIREMENT AND INVESTMENT OFFICE**  
**Internal Audit**  
**2023-2024 2nd Quarter Audit Activities Report**  
**October 1, 2023 – December 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, 2023, through June 30, 2024, 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**

Each year the SIB conducts a customer satisfaction survey. The purpose of this annual survey is to determine how well the SIB, through the staff of the RIO, is meeting the expectations of its clients. This survey is part of the SIB's ongoing effort to be more responsive to the needs of their clients and to continually improve the services that are provided. IA facilitated the survey in August and September 2023. The results were provided to the SIB at their October 26, 2023, meeting.

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 will be started in November 2023. The audit will review the calendar year of 2023. The audit will be completed and reported to the SIB Audit Committee at the February 15, 2024, meeting.

• **External Audit Support**

IA provided support to our external audit partners, CliftonLarsonAllen (CLA), in the 2023 Annual Financial Audit. The results of the Independent Auditor's Report were presented to the SIB Audit Committee at the meeting held Nov 14, 2023. An unmodified "clean" opinion that the financial statements are presented fairly, in all material respects, in conformity with US Generally Accepted Accounting Principles (GAAP) was issued.

For the GASB 68 Census Data Audit, the Independent Auditor's Results was also issued on December 26, 2023, for the Schedule of Employer Allocations and Pension Amounts by Employer. The Independent Auditors issued an unmodified "clean" opinion that the schedule of employer allocations and the net pension liability, total deferred outflows, total deferred inflows, and total pension expense are presented fairly, in all material respects, in conformity with the US Generally Accepted Accounting Principles (GAAP).

For both audit reports, no material weaknesses or significant deficiencies were identified.

- **Governance and Review Committee**

The Supervisor of Internal Audit attended committee meetings. The Governance and Review Committee are currently reviewing and updating the SIB governance manual.

- **Securities and Litigation Committee**

The Securities Litigation Committee issued an RFP in September 2023 for a securities and litigation pool and securities monitoring. The Supervisor of Internal Audit was part of the evaluation team, along with the Chief Financial Officer/Chief Operating Officer and the Assistant Attorney General. There were thirteen proposals received and a total of six finalists were brought forward to the Securities and Litigation Committee and two firms were selected in December 2023.

- **Executive Review and Compensation Committee**

Each year the Executive Review and Compensation Committee (ERCC) administers a formal self-assessment to the SIB. A review of the SIB self-assessment was done by the Executive Director, Communications and Outreach Director and the Supervisor of Internal Audit to recommend any changes ahead of the January ERCC meeting.

- **Internal Audit Business Process Review**

A working group was established in July 2023. Members of the group are the Executive Director, the Chief Financial/Operating Officer, and the Supervisor of Internal Audit. The Supervisor of Internal Audit has been working with the group on a project plan to implement the recommendations from Weaver Consultants. The plan includes internal activities as well as an RFP for co-sourcing activities.

IA presented the Internal Audit Maturity Work Plan at the November 2023 SIB Audit Committee meeting. The working group proposed an RFP for the scope and timeline for additional assistance in the IA maturity development. The RFP was issued in November 2023 and responses were received back in December 2023. Staff did the initial scoring, and the top two finalists will be presenting at a special Audit Committee in January 2024.

IA also presented revisions and updates for the annual review of the SIB Audit Committee Charter and Internal Audit Charter. The SIB Audit Committee approved the Internal Audit Charter as presented.

### **Retirement Program Audit Activities**

- **Model 2 Partial Salary Review**

This salary review only includes Model 2 Partial Employers. For fiscal year 2020/21, IA selected one participant from forty-one employers to ensure model compliance. The review also determined if the retirement salaries and contributions reported to TFFR by the participating employers are complying 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 member eligibility was also verified. This review is currently in process. Fieldwork has been completed except for one employer. The Internal Auditor will be setting up a meeting with staff to provide the results. A report will be issued and presented to the SIB Audit Committee in May 2024.

- **TFFR Pioneer Project**

Pilot 4 focused on the design, appearance, and usability of the employer and member portals. The vendor was working on the design documents for the Pilots. IA staff and the employers attended TFFR education sessions introducing the new system. Other sessions attended were as follows: create/view transactions, case management, the dashboard, deductions, global features, Neotrack sessions (signing off on completed processes), TFFR paycodes for employer uploads, and weekly meetings. User Acceptance Testing (UAT) of the system started in December of 2023.

- **TFFR Briefly**

On a periodic basis the retirement services division issues the newsletter, TFFR Briefly (<https://content.govdelivery.com/accounts/NDRIO/bulletins/3831948>), to all the employers. This newsletter focuses on tips, updates, or any other pertinent information the business managers need to know for reporting. IA provides articles for this newsletter. The following articles were submitted by IA for the January 2024 TFFR Briefly: Improper use of social security numbers is fraud and Watch deductions; and TFFR salary should be gross salary.

### **Administrative Activities**

The IA staff attended the monthly RIO staff meetings, monthly RIO manager's meetings, divisional meetings, monthly Fiscal/Organization meetings, monthly Retirement Services' meetings, one Audit Committee meeting, two SIB meetings, one TFFR meeting, Governance and Policy Review Committee meetings, and Securities and Litigation meetings.

- **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. The annual purge of information started in the second quarter to meet the schedule set by NDIT Records Management. Almost all the audit files and records are currently electronic. 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 the same time. The annual purging of files was completed in November 2023.

### **Professional Development/CE/General Education**

Audit staff completed the following training: NDIT Cyber awareness training and How Leaders Solve Problems. They also attended the annual all-day training for RIO staff. The day consisted of the following presentations: The Shocking Power of Kindness, Crucial Conversations, Teammate Traits exercises (color system), Communication Channels and Policy Update, and Face-off (a getting to know you exercise).

The Supervisor in Internal Audit attended a conflict management training session, the virtual event of Team ND Manager Event: Understanding Engagement Scores and the Next Steps for Engagement, and Artificial Intelligence – Ethical Pitfalls and Opportunities.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE  
INTERNAL AUDIT DIVISION  
FISCAL YEAR 2023 -2024**

FY 2023 1st QTR	FY 2023 2nd QTR	FY 2024 3rd QTR	FY 2024 4th QTR	FY 2024 TOTAL
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**Internal Audit Activities**

**Investment Program Activities/Audits:**

Executive Limitations Audit	8	34			42
Executive Review and Compensation Committee		4			4
Internal Investing RFP	3	3			3
Securities Litigation RFP	3	38			41

**Retirement Program Activities/Audits:**

TFFR Pension Data System - Pioneer Project	170	80			249
TFFR Model 2 Partial Review	174	118			293
TFFR File Maintenance Audit	0	0			0
TFFR Misc.	31	52			83

**Agency Activities/Audits**

Administrative Policy Reviews	53	6			59
Conflict of Interest		7			7
Audit History	13	10			13
Internal Audit Business Process Review	125	99			224
Records Management	12	46			58
RIO External Auditor Assistance	5	10			15
Onboarding & Offboarding Review	22	0			22
Employee Exits	10	0			10
Professional Development/CE/General Education	1	27			28

**Administrative Activities**

Administrative - Staff Mtgs, Time Reports, Email, General Reporting, Performance	150	152			301
Audit Committee Attendance and Preparation	63	87			150
SIB/TFFR Attendance and Preparation	55	48			103
Annual Leave, Sick Leave, and Holidays	144	230			373
<b>Quarterly Total:</b>	<b>1040</b>	<b>1048</b>	<b>0</b>	<b>0</b>	<b>2075</b>

Total Hours for 2023-2024 4,160

D. Thorsen Total Hours 2023-2024 2,080

S. Seiler Total Hours 2023-2024 2,080

## MEMORANDUM

**TO: State Investment Board (SIB)**  
**SIB Audit Committee**  
**Janilyn Murtha, Executive Director**

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

**DATE: February 12, 2024**

**RE: Executive Limitations Report**

Internal Audit has completed the annual review of the Executive Director's level of compliance with the State Investment Board (SIB) Governance Manual Executive Limitation policies for the calendar year beginning January 1, 2023 and ending December 31, 2023.

The governance policies reviewed during the audit were:

- General Executive Constraint (A-1)
- Staff Relations (A-2)
- Relating to Public and Government (A-3)
- Budgeting (A-4)
- Financial Condition (A-5)
- Communication and Counsel to the Board (A-6)
- Asset Protection (A-7)
- Compensation and Benefits (A-8)
- Conflict of Interest (A-9)
- Code of Conduct (A-10)
- Unrelated Business Interests (A-11)

Internal Audit is sufficiently satisfied that the Executive Director was in compliance with SIB Governance Manual Executive Limitation Policies A-1 through A-11 during calendar year 2023.

### **Executive Limitations – General Executive Constraint (A-1)**

The following documents were reviewed and found to support the Executive Director's compliance with Executive Limitation A-1:

- Executive Team Members – Communication Questionnaires
- State Investment Board (SIB) Meeting Agendas, Materials, and Minutes

The executive team indicated that frequent communication occurs regarding board and executive issues and processes. Executive team members believe they are well informed and not lacking



pertinent or relevant information. The executive team continues to demonstrate great cohesiveness. There is still a consensus regarding the most important issues facing the RIO. The executive team indicated in the event of a sudden loss of an executive position that they are aware of the duties each would assume.

### **Executive Limitations – Staff Relations (A-2)**

The following documents were reviewed and found to support the Executive Director's compliance with Executive Limitation A-2:

- RIO Administrative Manual and Employee Acknowledgements
- RIO Offboarding Checklists, Exit Interview, and Employee Termination Documents
- ND State Engagement Surveys

RIO maintains an Administrative Manual which includes personnel rules for staff, provides for the effective handling of grievances, and protects against wrongful conditions or violations of state and federal law. Staff members signed acknowledgements indicating that they reviewed and understood all policies contained within the Administrative Manual. The ND State Engagement Surveys scores increased from 4.42 in October 2022 to 4.55 in October 2023 on a 5-point scale.

### **Executive Limitations – Relating to Public and Government (A-3)**

The following documents were reviewed and found to support the Executive Director's compliance with Executive Limitation A-3:

- 2023 SIB Client Satisfaction Survey and Responses
- RIO Administrative Manual (Media Policy), Media Inquiry
- Open Record Requests
- RIO Press Releases

SIB clients were asked to rate the services provided by RIO staff on behalf of the SIB. A score of 3.33 was received on a 4.0 weighted average scale. Comments received were generally positive and indicated clients found staff knowledgeable, professional, and helpful. The Executive Director and staff routinely responds to media requests and open records requests. There were 48 open record requests in calendar year 2023. The requests reviewed revealed that information provided by staff was accurate and when applicable distinguished between fact and personal opinion. Open records requests are tracked and appear to be responded to in a reasonable time. There were also seven press releases issued by the agency in calendar year 2023.

### **Executive Limitations – Budgeting (A-4) and Financial Condition (A-5)**

The following documents were reviewed and found to support the Executive Director's compliance with Executive Limitation A-4 and A-5:

- RIO 2023-2025 Biennium Budget and Other Supporting Documentation
- Senate Bill 2022
- Budget and Financial Condition Quarterly Monitoring Reports – SIB Meeting Materials
- Investment Performance
- Contingency Line Request & Approval

A review of the quarterly monitoring reports for fiscal year 2023 revealed that the agency operated well within budget and had not made any expenditure which exceeded the appropriation authorized by the legislature. During calendar year 2023, RIO did not reduce the level of service of any programs nor request the assistance of the Emergency Commission. Investment fees decreased to 0.43% in fiscal

year 2023, from fees of 0.56% in fiscal year 2022. In most funds, the total fund net-of-fee results exceeded benchmarks. RIO's budget for the 2023-25 biennium Senate Bill 2022 passed in April 2023

**Executive Limitations – Communication and Counsel to the Board (A-6)**

The following documents were reviewed and found to support the Executive Director's compliance with Executive Limitation A-6:

- SIB Governance Manual Policy C-4 (Monitoring Executive Performance Policy)
- SIB Meeting Agendas, Materials, and Minutes – Calendar Year 2023
- RIO Financial Audit - Fiscal Year Ended June 30, 2023

The SIB receives quarterly internal reports on staff relations, financial conditions, investment services, and investment performance. CliftonLarsonAllen, external auditor, completed the annual financial audit for year ended June 30, 2023, issued an unmodified clean opinion. Callan LLC provides quarterly external reports on the investment performance of the consolidated pension trust, consolidated insurance trust, and the Legacy Fund throughout the fiscal year. In calendar year 2023, board education included: Risk/Return, Country Risk, Development of the South Dakota Investment Program, Cybersecurity, and Real Estate Markets. A comprehensive board onboarding process was developed. Board education provides the board with the necessary information required to facilitate informed decision making.

**Executive Limitations – Asset Protection (A-7)**

The following documents were reviewed and found to support the Executive Director's compliance with Executive Limitation A-7:

- State Fire and Tornado Fund Insurance Policy – FY 2023 and FY 2024
- OMB/Risk Management – Risk Management Fund Discount
- State Bonding Fund – Commercial Blanket Bond – CY 2023
- RIO Financial Audit - Fiscal Year Ended June 30, 2023
- SIB Meeting Agendas, Materials, and Minutes – Nov 18, 2022

RIO has obtained adequate insurance for board members, staff, and the organization to protect against theft and casualty losses as well as to protect against liability losses. All RIO personnel who have access to funds are properly bonded. External auditors, CLA, confirmed that funds are received, processed, and distributed under controls which are sufficient to meet State Auditor standards. The most recent asset allocation information available from Callan LLC is as of September 30, 2023. Callan noted at the November 17, 2023, SIB meeting Total Fund returns for PERS, TFFR, WSI, Budget Stabilization and Legacy Funds have each exceeded their respective benchmarks on a net-of-fee basis for the trailing five-year period ended September 30, 2023. In most funds, the total fund net-of-fee results exceeded the benchmark.

**Executive Limitations – Compensation and Benefits (A-8)**

The following documents were reviewed and found to support the Executive Director's compliance with Executive Limitation A-8:

- OMB ND Salary Ranges – July 1, 2023 – June 2024
- RIO Salaries & Pay Grades
- Payroll Review
- ND Administrative Code, Chapter 04-07-02
- SIB Meeting Agenda, Materials, and Minutes

A review of available documents confirmed that compensation and benefits for staff are compliant with the ND Administrative Code, Chapter 04-07-02.

**Executive Limitations – General Executive Constraint (A-1), Conflict of Interest (A-9), Code of Conduct (A-10), and Unrelated Business Interests (A-11)**

The following documents were reviewed and found to support the Executive Director's compliance with Executive Limitation A-1, A-9, A-10, and A-11:

- SIB Governance Manual Policy A-9 and Conflict of Interest Statement
- Conflict of Interest Statement
- Policy Acknowledgement

The Executive Director affirmed understanding of the Executive Limitation Conflict of Interest Policy (A-9) located within the SIB Governance Manual. Executive team members independently confirmed that they are not aware of any actual or perceived conflicts of interest concerning the Executive Director.

## MEMORANDUM

**TO: SIB Audit Committee**  
**FROM: Sara Seiler, Supervisor of Internal Audit**  
**DATE: February 12, 2024**  
**RE: Internal Audit Modernization Project Update**

### Internal Audit Modernization Workplan

Timeframe	Activity	Status
November 2023	Project Plan Presentation to A.C. Update Internal Audit Charter	Completed
December 2023	Issue RFP for: <ul style="list-style-type: none"> <li>• Risk Assessment (Investment &amp; Fiscal Divisions)</li> <li>• Audit Manual (compliance with new IIA standards)</li> <li>• Policies &amp; Procedures</li> </ul>	RFP was issued in November 2023 and Weaver was selected. Contract pending.
November 2023 – June 2024	Continue working on recommendation internally to complete short-term and mid-term goals.	With the 2024 IIA standards being issued in January 2024, IA staff is working on the recommendations while also reviewing the new Standards.
February 2024	Progress update to Audit Committee	Completed
February – August 2024	Work with selected vendor on risk assessment, audit manual & templates.	A kick-off meeting with Weaver will be scheduled once the contract is executed.
March/April 2024	Evaluate budget needs for 25-27 biannual regarding: <ul style="list-style-type: none"> <li>• Training</li> <li>• Resources</li> <li>• Data Analytics</li> <li>• Quality Assurance Review</li> </ul>	Not started.
May 2024	Progress update to Audit Committee.	Not started.
May/June 2024	Risk Assessment Retirement Division – Internally	Not started.
Approx July 2024	Implement new policies & procedures for all Internal Audits	Not started.
August 2024	Bring updated Audit Plan to A.C. Necessary changes to Internal Audit Charter reflecting updated IIA standards. Evaluate progress of IA maturity	Not started.

## MEMORANDUM

**TO: SIB Audit Committee**  
**FROM: Sara Seiler, Supervisor of Internal Audit**  
**DATE: February 12, 2024**  
**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 5
- Model 2 Partial Salary Review – Phase 3 and 4
- Pioneer – Pension Administration Software – User Acceptance Testing (UAT) of the system in progress.

### RIO/Investment Activities

IA staff attended the following meetings: monthly manager meetings, monthly staff meetings, monthly Fiscal/Organization meetings, TFFR Agenda Planning, and monthly Retirement Services meetings. IA staff also attended the SIB, TFFR, and SIB GPR meetings.

On Jan. 18, 2024, a special SIB Audit Committee meeting was held for the purpose of hearing presentations from the top two finalists for the consultant selection for the Internal Audit Business Processes. After a discussion, the Audit Committee members selected a consultant. The contract is in process and a kickoff meeting will be scheduled once the contract is executed.

The Supervisor of Internal Audit attended the Executive Review Compensation Committee (ERCC) meetings. She provided the Committee with an updated version of the SIB self-assessment meant to streamline the questionnaire and improve question clarity while capturing relevant information. The Committee approved the updated questions and the proposed timeline. The self-assessment was presented to the SIB at the January 2024 meeting. The completed assessment from the members was due Feb. 2, 2024. The ERCC will review the results and the Supervisor of Internal Audit will present them at the February SIB meeting.

The agency began the strategic planning process in November of 2023. All non-management staff attended a session in December 2023. The Supervisor of Internal Audit attended strategic planning meetings in January 2024. A planning update was presented to the SIB at the January 2024 meeting. The final strategic plan will be presented to the governors' office in March 2023.

IA attended the SIB Onboarding overview of Fiscal Operations in January 2024. IA also attended staff training for Open Records and Open Meetings (RIO)

#### TFFR Activities

For the PAS Project, User Acceptance Testing (UAT) continues in January and February. IA listened to the recorded sessions and has completed tasks assigned to them to test. IA also has attended multiple meetings on employer paycodes, FileNet documents, and Weekly Reviews.

For the Model 2 Partial Salary Review, the Internal Auditor completed fieldwork with the exception of one account. Memorandums, worksheets, draft reports, and meeting preparation are in progress. The Internal Auditor will set-up a meeting to provide the findings to the Retirement Program Manager, the Compliance Officer, and the Retirement Accountant.

The Deputy Executive Director/Chief Investment Officer requested that IA review a draft of certain sections in the TFFR Policy Manual for recommended changes. The TFFR GPR Committee is updating the policies as part of their work plan. The Internal Auditor reviewed selected sections of the TFFR Manual.

#### Upcoming Audit Activities

The Supervisor of Internal will set-up the kick-off meeting for the Internal Audit Business Process Review. IA staff will be working on the agency risk assessment and the audit manual in the upcoming months.

The Internal Auditor will complete the Model 2 Partial review and meet with the management of Retirement Services.

The Internal Auditor will begin fieldwork for the TFFR File Maintenance Audit. On an annual basis, IA reviews system generated (CPAS) audit tables to ensure transactions initiated by RIO staff are expected and appropriate given their role in the organization.

The ERCC charter outlines performance surveys to be completed for the Executive Director, Chief Investment Officer, and the Deputy Executive Director/Chief Retirement Officer. Internal audit will assist in administer the surveys, as outlined in the ERCC charter.

**COMMITTEE ACTION REQUESTED: Approval of report.**