

Audit Committee Meeting
Monday, March 2, 2026 – 2:30 PM
RIO Conference Room
1600 E Century Ave, Bismarck, ND 58503
[Click here to join the meeting](#)

AGENDA

- I. CALL TO ORDER AND ACCEPTENCE OF AGENDA – *(Committee Action)***
- II. APPROVAL OF MINUTES (November 18, 2025) - *(Committee Action)***
- III. GOVERNANCE (20 minutes)**
 - A. Proposed Audit and Risk Committee Charter *(Committee Action)* – Ms. Smith
- IV. REPORTS (45 minutes)**
 - A. 2025-26 Second Quarter Activities *(Committee Action)* – Ms. Seiler
 1. TFFR File Maintenance Management Response
 2. Model 2 Partial Updated Response
 - B. Current Audit Activities *(Committee Action)* – Ms. Seiler
 1. Investment Fee Audit Update
- V. OTHER**

Next SIB Audit Committee Meeting:
Wednesday, May 6, 2026 @ 2:30 PM
RIO Conference Room
1600 E Century Ave Suite 3, Bismarck, ND 58503
- VI. ADJOURNMENT**

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
NOVEMBER 18, 2025, MEETING**

MEMBERS PRESENT: Thomas Beadle, State Treasurer, Chair
Cody Mickelson, TFFR Board, Vice Chair
Lisa Corbin, External Representative
Adam Miller, PERS Board
Todd Van Orman, External Representative

STAFF PRESENT: Missy Kopp, Executive Assistant
Sara Seiler, Suprv. of Internal Audit
Jodi Smith, Executive Director
Dottie Thorsen, Internal Auditor
Susan Walcker, Sr. Financial Manager

GUESTS: Bruce Mills, Weaver
Thomas Rey, UHY
Ivana Ritz, UHY

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:35 p.m. on Tuesday, November 18, 2025. The meeting was held in The WSI Board Room, 1600 E Century Ave., Bismarck, ND.

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

AGENDA:

The agenda was considered for the November 18, 2025, meeting.

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MS. CORBIN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 18, 2025, MEETING AS DISTRIBUTED.

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

MINUTES:

The minutes were considered for the September 3, 2025, meeting.

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MS. CORBIN AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE SEPTEMBER 3, 2025, MEETING AS DISTRIBUTED.

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

GOVERNANCE

FY25 Financial Report and GASB Schedule Audit:

Mr. Rey, UHY, provided an overview of the financial statement audit, highlighting key accounting estimates, including the valuation of alternative investments based on net asset value and the actuarial valuation for TFFR. No new GASB disclosures were noted, and there were no disagreements with management, consultations with other accountants, or significant issues identified during the audit. The auditor commended staff for completing the audit despite staffing turnover. A minor, immaterial correction was identified in Note 2 related to TFFR deposits; the amount will be updated without impacting the financial statements or audit opinion date. Committee discussion followed.

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MS. CORBIN AND CARRIED BY A VOICE VOTE TO APPROVE THE FINANCIAL STATEMENT AND GASB SCHEDULES AUDIT.

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

2025-26 Internal Audit Workplan:

Ms. Seiler presented the FY 2025–26 Internal Audit Work Plan, noting that it was developed based on the anticipated onboarding of a third internal auditor. Since the selected candidate declined the position after the plan was finalized, staff will repost the position and revisit the work plan to prioritize and potentially scale back activities due to limited staffing capacity. The work plan incorporates updated risk assessments conducted with Weaver, including meetings with fiscal, investment, and retirement staff to identify emerging risks and areas not recently reviewed. Discussion also included the ongoing governance manual review by the State Investment Board, which may result in a revised governance manual by June 30, 2026. Committee members noted that changes to the governance structure could impact committee charters and responsibilities, with the Audit Committee likely assuming an expanded role, including greater visibility into risk and compliance reporting. Committee discussion followed.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2025-26 IA WORKPLAN.

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

REPORTS

External Investment Oversight Audit:

Mr. Mills from Weaver presented the results of the External Investment Oversight Audit. The audit reviewed oversight of external investment managers across public and private asset classes, focusing on governance, manager selection and termination, ongoing due diligence and performance monitoring, operational risks, and contract terms. The review concluded that controls are generally well designed and operating effectively. Two specific findings Management actions underway, including the broader governance review and related RFPs,

were noted as addressing identified gaps and risk areas. Committee members acknowledged management's responsiveness and preparedness.

Weaver Internal Audit Fiscal Advisory Update:

Mr. Mills, Weaver, provided an update on the internal audit advisory project. Mr. Miller explained that advisory services focus on supporting the design and oversight of control processes during periods of significant organizational change, rather than performing retrospective audits. The advisory work has supported fiscal, accounting, and operational functions during recent transitions and helped prioritize critical activities and communications. Committee members and staff expressed appreciation for the advisory support and expertise provided, noting that recommendations and observations align with the ongoing governance review and related initiatives.

TFFR File Maintenance Audit:

Ms. Seiler reviewed the TFFR File Maintenance Audit, which reviewed fiscal year 2023 transactions and controls related to retirement system file maintenance. The audit examined user roles and security access, audit log activity, and document processing for member account updates, retirements, purchases, and refunds. Overall controls were found to be effective, with no material issues identified. Minor, isolated inaccuracies were noted and had already been corrected. Several observations identified during the review have been mitigated through controls built into the new system, which prevent errors from occurring going forward. Limited recommendations included performing a targeted review of select death-related files from FY 2023–24 to confirm required documentation and developing written procedures to supplement system process flows. Staff noted the audit required significant effort due to system implementation and that future reviews are expected to be more streamlined under the new system.

First Quarter IA Activities:

Ms. Seiler reviewed the FY26 first quarter audit activities. The report summarized audit and advisory activities discussed earlier, including completion of the External Investment Oversight Audit, support for issuance of the financial statement audit report, and continued work toward finalizing remaining audit activities later in the year. Staff also reviewed progress on the Bold and Balanced project, executive review and compensation committee updates, and significant efforts related to the ongoing governance assessment. Additional activities included fiscal advisory support, the TFFR file maintenance audit, and continued post-implementation work on the TFFR system, including development and refinement of reports needed for audit and actuarial purposes. Administrative activities and professional development were noted, along with plans to repost the internal auditor position. Upcoming work includes continued advisory support, system-related audits, participation in governance initiatives, review of the employer guide, and ongoing recruitment efforts.

Current Audit Activities:

Ms. Seiler reviewed the recruitment activities for the new Interval Auditor position which will be reposted in January. Committee discussion followed.

IT WAS MOVED BY MR. MILLER AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE REPORTS AS PRESENTED.

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

NAYS: NONE
MOTION CARRIED

ADJOURNMENT

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 4:28 p.m.

Prepared by: Missy Kopp, Assistant to the Board

MEMORANDUM

TO: SIB Audit Committee
FROM: Jodi Smith, Executive Director
DATE: February 18, 2026
RE: Audit Committee Draft Charter Review

The Governance and Policy Review Committee met virtually on January 13, 2026. The meeting was called to order by Chair Dr. Lech, with a quorum present. The Committee reviewed and approved the agenda as distributed and approved the minutes from October 24, 2025, and November 6, 2025, meetings.

Governance Manual Rewrite – Status Update

The Committee received a comprehensive update on the SIB Governance Manual Rewrite initiative, authorized by the Board on March 28, 2025. This effort stems from the governance audit conducted by Funston Advisory Services LLC, which was formally contracted in August 2025.

Project 1 – Governance Audit (Completed)

Funston completed a comprehensive governance assessment that included:

- Review of the SIB Program Manual and governance structure.
- Interviews with Board members, committees, and executive staff.
- Compliance review with applicable statutes and rules.
- Evaluation of reporting practices and decision-making frameworks.
- Benchmarking against peer institutional investors.
- Development of a governance risk heat map.
- Delivery of governance education to the Board.

The Final Governance Model Review Report was approved by the Board on November 21, 2025, and distributed to all Board members on December 9, 2025.

Project 2 – Governance Manual Rewrite (In Progress)

Following Board authorization in November 2025, Funston began Phase 2 to modernize the Governance Manual. Funston presented the Committee with the first full draft of the revised governance system (“Governance Policy System” or “GPS”) in its entirety to support holistic review and feedback. The Committee discussed that future iterations should clearly show how the new system compares to the prior manual

(including prior language versus revised language), using tracked changes and/or annotations to improve transparency and help Board members understand how the revisions were developed.

Funston emphasized that the prior manual's primary pain point was navigation and usability; in response, the draft is designed as an interactive, purpose-first policy system that can function like a website, including hyperlinks, searchable structure, and layered "progressive disclosure" so users can access high-level guidance quickly and drill down when needed. The revised draft also separates governance policies from investment policies (investment policy content removed from the governance manual scope), with the intent that investment policy and operations remain in a separate manual that can be linked as needed.

The Committee reviewed and discussed the proposed governance framework and delegation model, including:

- A "lines of accountability" structure clarifying the relationship among the Legislature/statutory framework, the Board, committees, the Executive Director, staff, and assurance providers (internal audit, external audit, and external advisors).
- A clear delegation and powers framework reinforcing that the Board is the approval authority; committees research/recommend, oversee, and verify/report.
- The use of delegation matrices and simplified charts to clarify who recommends, approves, delegates, executes, oversees, and verifies—supporting accountability and reducing ambiguity in decision-making.

Key Improvements in the Draft Manual

- Identifies and fills content gaps (including additional clarity on beneficiaries and fiduciary duties where prior language was limited)
- Strengthens alignment with statutory framework and governance best practices
- Establishes a clearer delegation structure and accountability model
- Rewrites policies using clearer, positive, plain-language drafting
- Embeds hyperlinks to Century Code and related governing documents
- Consolidates "conducting business" provisions (e.g., authority, composition, independence, meetings, quorum/voting, records, appointments) into a single table to reduce redundancy and improve usability
- Proposes standardized committee appointment language for consistency (committee members and chairs appointed by the Board Chair)

Audit Committee Charter Discussion

The original Audit Committee charter focused primarily on traditional audit oversight—financial reporting, internal controls, compliance, and coordination with Internal and External Audit. While it did include elements of risk management, those responsibilities were secondary and largely framed through audit activities. The structure emphasized operational detail, prescriptive processes, and transactional oversight (e.g., reviewing audit scopes, accounting issues, and compliance findings), with less emphasis on enterprise-wide risk, performance oversight, or formal escalation frameworks.

The new Audit & Risk Committee (ARC) charter (Attachment 1) represents a shift to an integrated, enterprise-level oversight model. It formally expands the Committee's mandate to include enterprise risk management and performance risk oversight, clearly distinguishes oversight from execution, and introduces structured capabilities (skills matrix, continuing education) and governance disciplines (risk indicators, escalation, annual

attestations of Internal Audit independence). Responsibilities are reorganized around “conduct, set, approve, oversee, and verify,” clarifying authority and accountability. The ARC places greater emphasis on proactive risk identification (financial, operational, technology, reputational, and accessibility), clearer reporting and escalation to the Board, independence of Internal Audit, and modern governance practices—moving from a compliance-centric audit committee to a forward-looking Audit & Risk Committee designed to support strategic resilience and fiduciary effectiveness.

Board Action Requested: Information only.

Audit, Risk and Compliance Committee (ARCC)

The Audit and Risk Committee (ARC) is a standing Committee of the North Dakota State Investment Board established to support the Board's fiduciary oversight of the North Dakota Retirement and Investment Office by obtaining independent reassurance and verification and providing enterprise-wide performance risk oversight.

Purpose

The Committee serves as the Board's primary forum for oversight of enterprise risk management, internal and external audit, financial reporting and controls, and compliance with laws, regulations, and ethical standards, including the Americans with Disabilities Act (ADA) and as a communications link among the Board, RIO management, Internal Audit, independent auditors, and other reassurance providers.

ARC's role is oversight—not execution. The Committee does not direct investment activity or operational execution, nor does it participate in management's execution of controls, audits, or risk mitigation activities. Where matters intersect with investment operations, ARC's role is limited to independent oversight, reassurance, and verification, with primary responsibility residing with management and the Investment Committee. Investment operational matters remain Investment Committee-led, with ARC providing independent oversight.

In fulfilling its mandate, the Committee:

- Oversees the enterprise risk management (ERM) framework, including the identification, assessment, monitoring, and escalation of material financial, operational, compliance, technology, reputational and accessibility risks, including key performance and risk indicators (KPRIs).
- Provides independent oversight of the Internal Audit function, including approval of the annual risk-based audit plan and assessment of Internal Audit's effectiveness and independence in accordance with The Institute of Internal Auditors' professional standards.
- Oversees the independent external audit, including audit scope, significant accounting judgments, internal control over financial reporting, and the resolution of audit findings.
- Oversees financial reporting and controls, compliance, ethics, whistleblower, and fraud-prevention frameworks, and monitors management's responsiveness to regulatory examinations and audit recommendations.

The Committee has authority to approve the annual internal audit plan, recommend the selection, evaluation, or termination of independent external auditors, investigate any matter within its scope, and retain independent advisors as necessary. All approvals are limited to authority explicitly delegated by the Board.

The Committee reports regularly to the Board on its activities, findings, risks, and recommendations; provides an annual written report describing how its responsibilities were discharged; and escalates significant risk, compliance, ethics, or audit matters to the Board as appropriate.

Recommended Capabilities:

Collectively Committee members should have capabilities in the following areas and where gaps exist, a targeted continuing education plan shall be established to address them. (see Exhibit: Committee Skills Matrix)

- Financial Reporting & Audit Oversight
- Internal Controls & Assurance
- Enterprise & Investment Risk Oversight
- Compliance, Ethics & Regulatory Awareness including ADA
- Risk Reporting, Dashboards & Escalation

Staff Liaison: Chief Audit Officer (CAO)

- The RIO's Chief Audit Officer is the staff member reporting administratively to the Executive Director and functionally to the Committee. The CAO is independent of the Executive Director and reports functionally to the Audit, Risk and Compliance Committee.
- The CAO shall have unrestricted access to the Committee, the Board Chair, and all records, personnel, and physical properties relevant to audit activities.
- 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.
- The CAO 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.

Powers and Responsibilities

1. Conduct Special Investigations

- Institute and oversee special investigations as needed.

2. Set: Research and Recommend

- Identify improvements to performance and risk management
- Selection, evaluation and termination of independent external auditors
- Make recommendations to the North Dakota State Auditor's Office, when appropriate.

3. Approve: Not authorized except to approve the annual internal audit plan.

- All Committee approvals are limited to those explicitly delegated by the Board.

4. Oversee Operational Performance and Risk

The Committee oversees the enterprise risk management framework, including the identification, assessment, monitoring, and reporting of material financial, operational, compliance, technology, and reputational risks. Investment risks are the purview of the Investment committee. The ARC Committee reviews management's risk assessments, mitigation strategies, and reporting processes, and escalates material risk exposures to the Board as appropriate.

- Internal and external audit programs including financial and other reporting practices.
- Internal controls and operational risks
- Compliance with laws, regulations, and ethics

5. Oversee Internal Audit Services

a. Internal 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 CAO 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.
- Escalate to 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 CAO. 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.

b. Independent External 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 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.
- 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.
- The effectiveness of the RIO's internal control system, including information technology security and control.
- 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 § s 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.
 - 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.

c. Oversee Performance Risk Management

- Obtain information and/or training to enhance the Committee's understanding of organization and its related risk management processes and key performance risk indicators.
- 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 reports on risks and related risk mitigations.
- Hire outside experts and consultants in risk management, as necessary, subject to full Board approval.

d. Verify 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.

e. Whistleblower

- Serve as an appropriate confidential body for individuals to provide information on potentially fraudulent financial reporting or breaches of internal control.

f. Fraud, abuse, misuse

- Oversee management and Internal Audit regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices.

g. Other

- Perform other activities related to this charter as requested by the SIB.
- Review any other reports the RIO issues that relate to the Committee's responsibilities.

6. Verify and Report

- 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.
- Significant compliance, ethics, or fraud matters shall be reported promptly to the Committee Chair and escalated to the Board as appropriate.
- The CAO shall provide an annual attestation to the Audit and Risk Committee, confirming that no undue influence has been exerted over the Internal Audit function.

MEMORANDUM

TO: SIB Audit Committee
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: February 25, 2026
RE: 2025-2026 Second Quarter Audit Activities

Audit Activities

- **External Investment Oversight Audit (co-sourced with Weaver)**

The scope of this audit encompassed an evaluation of the adequacy and effectiveness of processes and controls governing the external investment manager program. Internal Audit gained an understanding of key activities through interviews with personnel, review of relevant documentation, and identification of potential control gaps across the program's lifecycle. The audit focused on assessing the governance and oversight framework, policies and procedures, committee reporting and oversight, investment guidelines, performance reporting, annual benchmark review, manager selection and due diligence, legal agreements, ongoing monitoring and due diligence, and manager termination practices.

Recommendations included having investment policy statements reviewed annually and formal procedures relating to the external manager selection and ongoing due diligence process.

The report was presented at the November 18, 2025 Audit Committee meeting.

- **Investment Fee Audit (co-sourced with Weaver)**

The scope of this audit will evaluate the design and operating effectiveness of controls related to investment management fees and investment performance fees. The review will assess the adequacy of oversight and governance practices supporting fee arrangements, including the processes for benchmarking, monitoring, and validating fee calculations. The audit will examine the accuracy of management and performance fee assessments, the sufficiency of supporting documentation, and the understanding and application of key contract terms. Additionally, the review will evaluate approval workflows, payment processes, and controls related to ongoing monitoring of fee provisions, including the identification, tracking, and exercise of applicable clawback mechanisms. This audit is currently in progress.

- **External Audit Assistance**

Internal Audit assisted the external auditor, UHY, with various tasks related to the June 30, 2025 annual financial audit of the Retirement and Investment Office (RIO) and the GASB 68 census data audit. An unmodified “clean” opinion was issued on the financial statements on November 12, 2025. The GASB 68 census data audit was issued on November 19, 2025.

- **Executive Limitations Audit**

On an annual basis, Internal Audit reviews the Executive Director’s compliance with the State Investment Board (SIB) Governance Manual Executive Limitation Policies. The Executive Limitations Audit for the period January 1, 2024 through December 31, 2025 has been completed. The draft report is currently being reviewed with management, and the final report will be presented to the SIB Audit Committee at the next scheduled meeting.

- **Bold and the Balanced Project**

Internal audit attended various meetings on the Bold and the Balanced Project including RFP development and other research meetings on different systems. Internal audit met with Voyage on audit functions for the new system.

- **SIB Governance Assessment**

The SIB engaged Funston to conduct a governance assessment. Internal Audit provided feedback on the report and its findings, as well as additional information as requested. At its November meeting, the SIB elected to proceed with a comprehensive governance manual rewrite. Internal Audit continues to review draft revisions and provide ongoing feedback throughout the process.

- **RIO Risk Assessment**

Internal Audit met with the investments, fiscal, and retirement divisions to update the internal audit risk assessment. This process included identifying and evaluating key risks across each division, assessing the likelihood and potential impact of those risks, and considering existing controls and mitigation strategies. Discussions with management focused on changes in operations, regulatory requirements, staffing, systems, and emerging risks to ensure the assessment reflected current conditions.

The results of the risk assessment were used to prioritize audit coverage and allocate resources to areas of highest risk and importance. Based on this analysis, the annual audit plan was developed and presented to the Audit Committee, which approved the plan at its November 18, 2025 meeting.

- **Fiscal Advisory (co-sourced with Weaver)**

Internal Audit continues to partner with Weaver on advisory services supporting the Fiscal Division’s modernization efforts. This work is focused on strengthening investment performance reporting, improving operational workflows, and reinforcing control structures across Investment Operations and Accounting. Key initiatives include optimizing the transition to Northern Trust’s allocation engine, automating general ledger

postings, refining rebalancing and liquidity practices, enhancing disclosure processes, improving month-end close and reconciliation timelines, and supporting the development of updated policies and procedures.

The investment operations, performance, and accounting teams have expanded capacity, with support from the Custodian, to advance these initiatives. Weaver has also been engaged separately to support the Allocation Project in coordination with Investment Operations. This engagement is distinct from Internal Audit's advisory work, and Internal Audit is monitoring progress to inform future-state assurance planning. To preserve independence, Weaver's Internal Audit team is not participating in the allocation engagement.

As the current phase concludes, focus will shift to formalizing Standard Operating Procedures (SOPs), completing workflow documentation, finalizing end to end processes, general ledger mapping, strengthening reconciliation controls, and improving month end close controls. A process to compare books and records maintained by the Custodian and Verus with internal records would enhance consistency across investment, operations, and accounting functions, supporting reciprocal validation as processes move toward full execution.

- **TFFR File Maintenance Review**

Internal Audit completed a review of CPAS file maintenance activity to ensure transactions entered by RIO staff were appropriate, aligned with assigned security roles, and accurately reflected in member records. The audit included testing of system-generated audit tables and transaction logs; verification of staff access permissions; and review of member updates such as deaths, purchases, refunds, retirements, and changes to address, name, bank information, and Member Action Forms. IA also compared sampled member records between CPAS and the new PAS to confirm the accuracy of data migration. The review focused on validating the accuracy and completeness of transactions, confirming adherence to procedures, and ensuring documentation was properly maintained.

The report was presented at the November 18, 2025 Audit Committee meeting.

- **RIO 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 NDIR 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 audit files was completed November 30, 2025. The report was forwarded to the Procurement and Records Management Specialist.

- **TFFR Manual Updates**

The TFFR Member Handbook and TFFR Employer Guide are in the process of being updated. The Member Handbook and Employer Guide updates reflect the changes due to the new pension administration system. Internal Audit has reviewed the manual revisions multiple times. The Member Handbook manual is complete, and the Employer Guide is in progress.

Administrative Activities

Internal Audit staff remained actively engaged across the organization by attending key standing and governance meetings throughout the period. Participation included monthly RIO staff meetings, monthly manager meetings, division meetings, fiscal/organization meetings, and retirement services meetings. Internal Audit attends TFFR, SIB, and committee meetings as needed.

Internal Auditor Recruitment

During the 2025 Legislative Session, RIO's budget was approved, including authorization for a third FTE within the Internal Audit Division. The Internal Audit Supervisor developed the JDQ and corresponding interview questions to support the recruitment process. The position was initially posted; however, the recruitment did not result in a successful hire. The position was reposted in October 2025, and interviews were conducted at the end of October. As the position remained unfilled, it was reposted again in January 2026.

Professional Development/CE/General Education

Internal Audit staff completed several professional development and training activities during the period. Both staff members completed NDIT's Cyber Awareness Training to maintain required security readiness. The Internal Audit Supervisor also attended three courses through the Investment Training & Consulting Institute: Emerging Issues in Investments, and Auditing Derivatives, further strengthen investment-related oversight and audit capabilities. Additionally, the Internal Auditor completed IIA training on Third Party Risks.

Committee Action Requested: Committee acceptance.

February 18, 2026

Sara Seiler
Internal Audit Supervisor

RE: Response to TFFR File Maintenance Review Final Report - November 2025

Sara,

After reviewing the TFFR File Maintenance Review Final Report issued by Internal Audit dated November 2025, management acknowledges the observations related to Member Data Maintenance and Document Processing. This letter addresses the recommendations and outlines the steps and timeframes the Retirement Services Division will use to implement and document corrective actions.

Recommendation #1: Conduct a targeted review of 25 deaths from FY 2023-24 to verify death certificates are on file and expand if needed.

Response: Retirement Services will complete a targeted quality review of death-processing documentation for a sample of 25 deaths from FY 2023/24 to verify that the death certificate is present, it is scanned to the correct member FileNet account, and documentation aligns with the member's benefit option/payment status. This targeted review is intended to provide assurance that documentation is complete and accurately filed, and to identify whether any pattern of exceptions exists beyond the isolated items already corrected during the audit period.

Yes/No Document Checklist

Certification of Employment
Salary Verification Form (From Employer)
Death Notification active member (opt)
Survivor Benefit Letter
Death Certification for Active Member-
Beneficiary Form
Beneficiary Proof of Age (if applicable)
Member Proof (survivor) of age
Survivor Enrollment form
Tax Withholding form
Direct Deposit form
Beneficiary form
Survivor Final letter

If missing or misfiled documentation is identified, Retirement Services will:

- Correct file placement.
- Obtain missing documentation where needed.
- Document the exception, remediation steps taken, and cause.

Expansion criteria: If the sample indicates more than isolated exceptions, Retirement Services will expand testing to additional FY 2023/24 deaths until the population is sufficiently reviewed and an acceptable level of confidence is achieved.

Target completion dates:

- Complete the initial 25-death targeted review by April 30, 2026.
- If expanded testing is necessary, complete expanded review and remediation by June 30, 2026.

Recommendation #2: Ensure Retirement Services develops concise written procedures supplementing NeoSpin process flowcharts for key activities (e.g., retirements, purchases, refunds).

Response: Retirement Services will develop concise, standardized written procedures to supplement NeoSpin process flowcharts for key file maintenance and member-transaction activities. These procedures will be designed to:

- Clarify required documentation standards.
- Specify scanning/indexing practices.
- Define consistent steps for common transactions (retirements, purchases, refunds, deaths, and related member data updates).

This work will build on improvements already incorporated through NeoSpin and will support consistent documentation practices as data and documents continue to be maintained and periodically reviewed for completeness and accuracy.

Target completion dates:

- Draft procedures for retirements, purchases, and refunds by May 31, 2026.
- Retirement Services will provide Internal Audit with a brief written summary of (1) targeted death-review results (including any exceptions and corrective actions) and (2) the finalized procedure documents by June 30, 2026.

Respectfully



Chase Kauffeld
Chief Retirement Officer

February 23, 2026

Sara Seiler
Internal Audit Supervisor

RE: UPDATED Response to Model 2 Partial Review Report dated April 22, 2024

Sara,

This letter is to provide an updated completion timeline for the corrective actions and process improvements described in the Retirement Services Division's management response to the Model 2 Partial Review Report dated April 22, 2024. The scope of the response remains unchanged; only the timeline is being updated.

Updated Completion Timeline:

All actions and corrective measures associated with the management response will be completed by June 30, 2026.

Respectfully,



Chase Kauffeld
Chief Retirement Officer

MEMORANDUM

TO: SIB Audit Committee
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: February 25, 2026
RE: Current Audit Activities

During the 2025 Legislative Session, authorization was granted for an additional Internal Audit FTE. The position was reposted in January 2026 and generated a strong and competitive candidate pool. An offer has been extended and accepted. Pending completion of the background check, the anticipated start date is March 16, 2026. The division will focus on onboarding and integrating the new Internal Auditor into current and planned audit activities to strengthen overall audit coverage and capacity.

Internal Audit continues to partner with the Chief Retirement Officer to review user access and role assignments within the NeoSpin pension administration system. The objective of this review is to ensure system access is appropriate, properly segregated, and aligned with assigned job responsibilities, thereby supporting strong internal controls.

Progress also continues on the comprehensive rewrite of the SIB Governance Manual being facilitated by Funston. Internal Audit is reviewing draft materials and providing feedback, as requested, to promote clarity, consistency, and alignment with governance best practices.

The annual risk assessment will be updated during the March–April timeframe. The results will inform development of the annual risk-based audit plan for review and approval by the Audit Committee.

In alignment with Institute of Internal Auditors (IIA) Standards, Internal Audit will develop a formal strategic plan. This effort will be coordinated with executive leadership to ensure alignment with the organization's strategic direction and priorities.

The Investment Fee Audit was initiated in January 2026. Fieldwork is currently underway, and completion is anticipated by the end of April 2026.

The Executive Limitations Audit for the period January 1, 2024, through December 31, 2025, has been completed. The draft report is currently being reviewed by management, and the final report will be presented to the SIB Audit Committee at the next scheduled meeting.

Preliminary planning for the financial statement audit for the fiscal year ending June 30, 2026, will begin in April 2026. Internal Audit will continue to coordinate with external auditors by facilitating document requests and supporting management responses to audit inquiries.

Finally, Internal Audit continues to work with leadership to evaluate audit management and data analytics software solutions to enhance audit efficiency.

Committee Action Requested: Committee acceptance.



State Investment Board North Dakota Retirement and Investment Office

Internal Audit Update – Investment Fees

March 2026

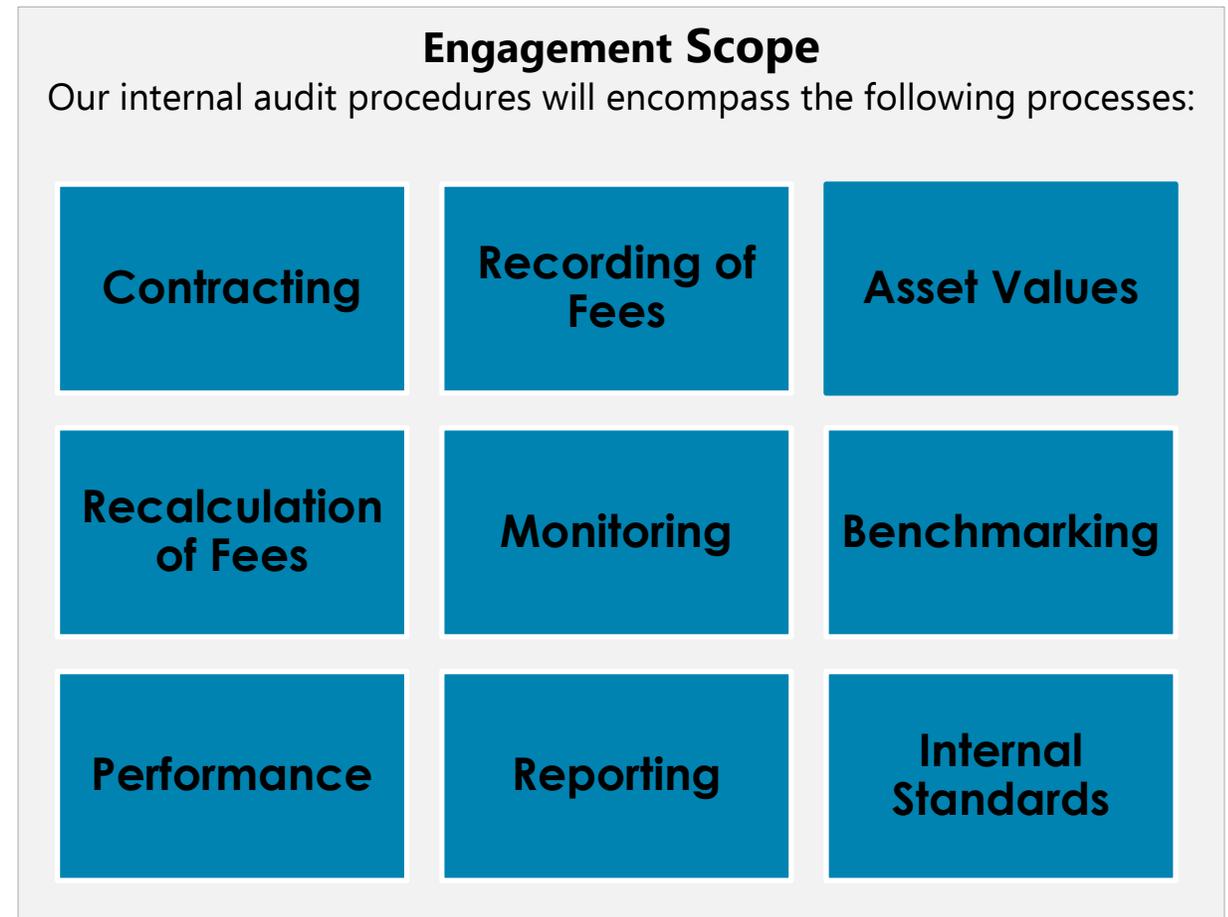
Update: Internal Audit – Investment Fees

The objective of the Internal Audit is to assess whether ND RIO's processes and controls are effective and appropriate in relation to the accuracy, completeness and timeliness of investment fees, and that expenses charged to the Funds are accurately reported to the Board.

The review seeks to verify that:

- Fees align with contractual terms and are recorded accurately
- Data used in the calculation of fees is complete and accurate
- Calculation and reporting of fees are accurate
- Financial practices are transparent and comply with established standards.
- The data utilized is complete and accurate
- Monitoring and benchmarking of fees is in place
- Performance calculations consider impact of fees charged
- ND RIO is complying with relevant policies and procedures

Internal Audit seeks to ensure there are sufficient oversight mechanisms to confirm that the fees charged for investment management in **fiscal year ended June 30, 2025**, are reasonable, justified and aligned with the fiduciary responsibilities of ND RIO.



Update: Internal Audit – Investment Fees

Current Status

- The Internal Audit is currently on schedule and Weaver is working with Internal Audit, Fiscal and Investments.
- Initial walkthroughs and documentation review has been completed
- The development of the Risk & Control Matrix and Audit Program is in progress.
- Weaver is applying a risk-based sampling methodology to stratify the population of manager fees tested across both public and private asset classes.
- Weaver is beginning our testing and will validate any findings with management as we move forward in the review.

Audit Schedule

PHASES	January	February	March	April
Planning	█			
Kickoff Conference	█			
Walkthroughs		█		
Testing & Validation		█		
Reporting and Finalization			█	