

STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
NOVEMBER 17, 2016, MEETING

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Mike Gessner, TFFR Board (TLCF)
Mike Sandal, PERS Board
Josh Wiens, External Representative

MEMBER ABSENT: Cindy Ternes, Workforce Safety & Insurance

STAFF PRESENT: Connie Flanagan, Fiscal & Invt Ops Mgr
Bonnie Heit, Assist to the Audit Committee
David Hunter, ED/CIO
Terra Miller Bowley, Suprv Audit Services
Dottie Thorsen, Internal Auditor

GUESTS: Thomas Rey, CliftonLarsonAllen (TLCF)

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m. on Thursday, November 17, 2016, at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. WIENS AND CARRIED ON A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 17, 2016, MEETING AS DISTRIBUTED.

AYES: MR. SANDAL, MR. WIENS, MR. GESSNER, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

MINUTES:

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. WIENS AND CARRIED ON A VOICE VOTE TO ACCEPT THE SEPTEMBER 23, 2016, MINUTES AS DISTRIBUTED.

AYES: MR. GESSNER, MR. SANDAL, MR. WIENS, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

RIO FINANCIAL AUDIT:

Mr. Thomas Rey, CliftonLarsonAllen, LLP (CLA), reviewed the results of the June 30, 2016, financial audit of the Retirement and Investment Office. CLA issued an unmodified "clean" opinion that the financial statements are presented fairly, in all material respects, and in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

Mr. Rey also briefed the Audit Committee on the GASB 68 Census Data Audits. Employer census testing was completed with 17 employers. No findings were noted. Work on the GASB 68 schedules will begin this month and CLA expects to issue their final report on the schedules by the end of 2016.

The Audit Committee congratulated RIO personnel on their excellent work on the financial audit report.

IT WAS MOVED BY MR. WIENS AND SECONDED BY MR. SANDAL AND CARRIED BY A VOICE VOTE TO APPROVE THE CLIFTONLARSONALLEN JUNE 30, 2016 FINANCIAL AUDIT OF RIO.

AYES: MR. WIENS, MR. SANDAL, MR. GESSNER, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

AUDIT ACTIVITIES REPORT:

Ms. Miller Bowley reviewed activities of the Audit Division for the period of July 1, 2016 - September 30, 2016.

Eleven employer audits were completed. Five employer audits were in progress at fiscal year-end, which included two employers from the third audit cycle and three from the fourth audit cycle. Five audits in the fourth audit cycle were pending and not yet started. Five employers from the fourth audit cycle received audit notifications but the information requested had yet to be received from the employers.

Discussion followed on employers who have reoccurring reporting discrepancies. The Audit Committee discussed what options are available to the Teachers' Fund for Retirement Board, RIO personnel, as well as the Audit Committee themselves.

After discussion, the Audit Committee felt this issue should be brought before the Teachers' Fund for Retirement Board to determine what options if any are available to hold these employers accountable. The Audit Committee felt strongly that since they are a Committee of the State Investment Board that a recommendation should be made to the Teachers' Fund for Retirement Board but only after discussions have occurred with the Board and legal counsel sought.

The Audit Division completed the following audits - Benefits Payments Audit, Teachers' Fund for Retirement (TFFR) File Maintenance Audit, and Executive Limitation Audit.

Ms. Miller Bowley stated the TFFR Cost Effective Benefit Payments/Benefit Recalculation Audit was delayed. The audit was not completed in fiscal year 2016 and has been carried over to be completed in fiscal year 2017. The audit is currently in progress.

The Audit Division also assisted the external auditors, CliftonLarsonAllen, during the current financial audit of RIO along with the GASB 68 census data audits.

The Audit Division in conjunction with the Retirement Division created an internship program. The internship program ran from May 16 - August 19, 2016. The Supervisor of Audit Services and the Retirement Program Manager provided ongoing support and assistance to the intern throughout the program.

The Audit Division continues to make progress on their procedures manual. Procedures for the TFFR File Maintenance Audit have been placed on RIO's intranet site. Procedures for the TFFR Cost Effective Benefit Payments Audit and the Benefit Payment Audit are in progress.

Staff continues to attend local Institute of Internal Audit (IIA) meetings as well as regional conferences and other misc. seminars and webinars. Ms. Miller Bowley completed the requirements for a Certified Internal Auditor (CIA) designation in July 2016.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. WIENS AND CARRIED BY A VOICE VOTE TO ACCEPT THE JULY 1, 2016 - SEPTEMBER 30, 2016, AUDIT ACTIVITIES REPORT.

AYES: MR. GESSNER, MR. WIENS, MR. SANDAL, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

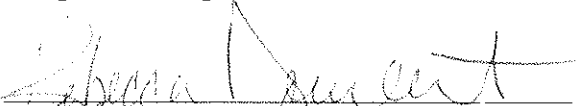
ABSENT: MS. TERNES

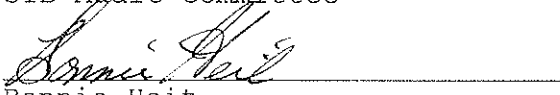
OTHER:

The next Audit Committee meeting is scheduled for Thursday, February 23, 2017, at 3:00 pm at Workforce Safety and Insurance, 1600 E Century Ave, Bismarck, ND.

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 3:45 p.m.

Respectfully Submitted:


 Ms. Rebecca Dorwart, Chair
 SIB Audit Committee


 Bonnie Heit
 Assistant to the Audit Committee