

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
FEBRUARY 23, 2017, MEETING**

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Mike Gessner, TFFR Board (TLCF)
Mike Sandal, PERS Board
Cindy Ternes, Workforce Safety & Insurance
Josh Wiens, External Representative

STAFF PRESENT: Bonnie Heit, Assist to the Audit Committee
David Hunter, ED/CIO
Fay Kopp, Dep ED/CRO
Terra Miller Bowley, Suprv Audit Services
Dottie Thorsen, Internal Auditor

GUESTS: Jan Murtha, Attorney General's Office

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m. on Thursday, February 13, 2017, 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 MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO APPROVE THE AGENDA FOR THE FEBRUARY 23, 2017, MEETING AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

MINUTES:

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. WIENS AND CARRIED ON A VOICE VOTE TO ACCEPT THE NOVEMBER 17, 2016, MINUTES AS AMENDED.

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

NAYS: NONE

MOTION CARRIED

AUDIT ACTIVITIES REPORT:

Ms. Miller Bowley reviewed activities of the Audit Division for the period of October 1, 2016 - December 31, 2016.

As of February 23, 2017, 17 employer audits were completed with three more estimated to be closed within the next 30 days. Ms. Miller Bowley stated a 100 percent audit is currently being done on Ft. Yates and will likely encompass three fiscal years.

Ms. Miller Bowley indicated the Audit Division is currently in the fourth audit cycle, which commenced on May 23, 2016, and is estimated to be completed in 7-8 years if 20-25 audits are completed per year.

The TFFR File Maintenance Audit was completed for the first quarter of fiscal year 2017 and no exceptions were noted.

An organization wide RIO employee survey was administered in December 2016 to provide employees the opportunity to evaluate the effectiveness of the Executive Director/CIO in the areas of leadership, communications, and valuing employees. This survey is in conjunction with the annual Executive Limitations Audit.

Ms. Miller Bowley also stated Audit Services continues to pursue networking and professional development opportunities via the IIA's local chapter, Central Nodak.

Discussion followed on employers who have reoccurring reporting discrepancies.

IT WAS MOVED BY MR. WIENS AND SECONDED BY MS. TERNES AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE OCTOBER 1, 2016 - DECEMBER 31, 2016, AUDIT ACTIVITIES REPORT.

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

NAYS: NONE

MOTION CARRIED

EXECUTIVE LIMITATIONS AUDIT:

Ms. Miller Bowley stated the Executive Limitations Audit for the period of January 1, 2016 through December 31, 2016, has been completed. On an annual basis Audit Services completes an annual review of the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation policies A1-All.

Audit Services review found the Executive Director/CIO was in compliance with the policies.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. WIENS AND CARRIED BY A VOICE VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS AUDIT FOR THE 2016 CALENDAR YEAR.

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

NAYS: NONE

MOTION CARRIED

GASB 68 SCHEDULE AUDIT:

Ms. Miller Bowley informed the Committee CliftonLarsonAllen has concluded their audit of the GASB 68 schedules. The final audit report was issued in December 2016. CliftonLarsonAllen will be in attendance at the Audit Committee's May 25, 2017, meeting to present the results of the audit as well as the audit scope and approach for the upcoming financial audit of RIO for fiscal year July 1, 2016 to June 30, 2017.

TFFR EMPLOYER AUDITING:

Ms. Miller Bowley requested Ms. Jan Murtha, RIO legal counsel, to clarify N.D.C.C. §15-39.1-23 as far as options available to TFFR to encourage participating employers to improve accuracy in reporting and implement audit recommendations.

Ms. Murtha is under the opinion, based on the information provided to her, and review of the applicable statutory authority and TFFR policies, that the current enforcement tools available to TFFR could be utilized more frequently. Ms. Murtha recommended that the TFFR Board engage in a more proactive use of these existing tools prior to seeking statutory authority for additional enforcement options. Ms. Murtha suggested the following in response to Ms. Miller Bowley's concerns on behalf of the SIB Audit committee:

- Review and consider amendments to Policies C-8 and C-9 of the TFFR Program Manual to provide additional clarity regarding TFFR's reporting expectations for employers;
- Review and consider amendments to Policies C-8 and C-9 of the TFFR Program Manual to provide additional clarity regarding the circumstances under which penalties will be assessed;
- Review the process by which a civil money penalty and the restriction on the disbursement of state funds is applied and consider elaborating on this process in policy or administrative rule.

Discussion followed on the above recommendations. Ms. Dorwart suggested RIO personnel discuss the recommendations by legal counsel, put a plan together, and report back to the Audit Committee.

ANNUAL MEETINGS WITH RIO STAFF:

On an annual basis or at the will of the Chair, the Audit Committee may elect to meet with RIO's Management and or Supervisor of Audit Services separately and out of the presence of the independent auditors to discuss/review any concerns regarding the audit program at RIO per the Audit Committee Charter.

The Audit Committee elected to meet with Mr. Hunter and Ms. Kopp. The meeting began at 3:50 pm and concluded at 4:08 pm.

The Audit Committee elected to meet with Ms. Miller Bowley and Ms. Thorsen. The meeting began at 4:10 pm and concluded at 4:45 pm.

The Audit Committee appreciated the discussion with staff and felt it was beneficial to talk about issues and what are the priorities. The Audit Committee felt TFFR policies as currently applied under N.D.C.C. §15-39.1-23 need to be expanded in order for RIO's Audit Division to be effective. The Audit Committee left it up to RIO personnel to discuss the issues and put a plan together that works for them and the Governing bodies. The Audit Committee felt Ms. Miller Bowley and Ms. Thorsen continue to do a wonderful job.


OTHER:

The next Audit Committee meeting is scheduled for Thursday, May 25, 2017, at 3:00 pm at the State Capitol, Peace Garden Room.

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 4:50 p.m.

Respectfully Submitted:


Ms. Rebecca Dorwart, Chair
SIB Audit Committee


Bonnie Heit
Assistant to the Audit Committee