

STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
MAY 25, 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: Connie Flanagan, Fiscal & Invt Ops Mgr
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: Thomas Rey, CliftonLarsonAllen

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m. on Thursday, May 25, 2017, at the Peace Garden Room, State Capitol, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. TERNES AND CARRIED ON A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 25, 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 MS. TERNES AND SECONDED BY MR. WIENS AND CARRIED ON A VOICE VOTE TO ACCEPT THE FEBRUARY 23, 2017, MINUTES.

AYES: MR. GESSNER, MR. SANDAL, MS. TERNES, MR. WIENS, AND MS. DORWART
NAYS: NONE
MOTION CARRIED

CLIFTONLARSONALLEN:

Mr. Thomas Rey, CliftonLarsonAllen, reviewed the engagement and work plan for the audit of the financial statements of the Retirement and Investment Office (RIO) for the period of July 1, 2016 to June 30, 2017.

Mr. Rey also reviewed the audit results for GASB 68 schedules (schedules of employer allocations and pension amounts by employer) for the period ending June 30, 2016. An unmodified opinion was issued on the statements.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. WIENS AND CARRIED BY A VOICE VOTE TO ACCEPT CLIFTONLARSONALLEN'S REPORT.

AYES: MS. TERNES, MR. WIENS, MR. SANDAL, MR. GESSNER, AND MS. DORWART
 NAYS: NONE
 MOTION CARRIED

AUDIT ACTIVITIES REPORT:

Ms. Miller Bowley reviewed activities of the Audit Division for the period of January 1, 2017 - March 31, 2017.

As of March 31, 2017, twenty-one employer audits were completed. This entailed two Special Audits, one Not In Compliance review, and eighteen Compliance Audits, with four more estimated to be closed prior to the end of the fiscal year.

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

The Annual Salary Verification Project commenced toward the end of March. Audit Services anticipates that the bulk of the work including employer notifications will occur during the month of April and the audit concluding in early May.

The Executive Limitations Audit was completed in February 2017. Audit Services was sufficiently satisfied that the Executive Director/CIO was in compliance with SIB Governance Manual Executive Limitation policies A-1 through A-11 for calendar year 2016.

The Executive Review Committee has requested the assistance of Audit Services to facilitate a survey of current SIB members for the purpose of evaluating the Executive Director/CIO of RIO. The survey will be administered in April 2017 and the results will be provided to the Executive Review Committee shortly thereafter.

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

Mr. Sandal, as a member of the Executive Review Committee, commented the support by Audit Services during the Executive Director/CIO review was very very good.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. TERNES AND CARRIED BY A VOICE VOTE TO ACCEPT THE JANUARY 1, 2017 - MARCH 31, 2017, AUDIT ACTIVITIES REPORT.

AYES: MR. GESSNER, MR. WIENS, MR. SANDAL, MS. TERNES, AND MS. DORWART
 NAYS: NONE
 MOTION CARRIED

WORKPLAN:

Ms. Miller Bowley reviewed the July 1, 2017 - June 30, 2018 Audit Services workplan.

Discussion followed on the allocation of Audit Services time particularly on the use of Audit Command Language (ACL). Ms. Miller Bowley stated because of the priorities established for the agency, the workplan does not allow anytime towards ACL at this time.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED BY A VOICE VOTE TO ACCEPT THE JULY 1, 2017 - JUNE 30, 2018, AUDIT SERVICES WORKPLAN.

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

NAYS: NONE

MOTION CARRIED

FRAUD HOTLINE:

Ms. Miller Bowley informed the Audit Committee RIO has installed an employee fraud hotline effective April 2017. The hotline allows employees to report fraudulent and wrongful behavior and remain anonymous. Online submissions can be made by employees 24/7 and a toll-free call service is available during business hours. RIO has designated the Executive Director/CIO as primary contact and the Supervisor of Audit Services as secondary contact. The Audit Committee suggested an external contact be designated as well. Ms. Miller Bowley will look into it.

BOARD EDUCATION:

Ms. Miller Bowley informed the Audit Committee Audit Services provided an educational segment to the Teachers' Fund for Retirement Board at their March 23, 2017, meeting. The presentation included an overview of the Audit Services Division and the employer-auditing program. The presentation was provided to the Audit Committee.

MEETING SCHEDULE:

Ms. Miller Bowley presented a draft meeting schedule for the Audit Committee's consideration for the period of July 1, 2017 - June 30, 2018.

IT WAS MOVED BY MR. WIENS AND SECONDED BY MR. GESSNER AND CARRIED BY A VOICE VOTE TO ACCEPT THE JULY 1, 2017 - JUNE 30, 2018, AUDIT SERVICES MEETING SCHEDULE.

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

NAYS: NONE

MOTION CARRIED

MEMBERSHIP:

Ms. Miller Bowley requested the Audit Committee notify her by June 1, 2017, if they are willing to continue to serve on the Audit Committee for the period of July 1, 2017 - June 30, 2018.

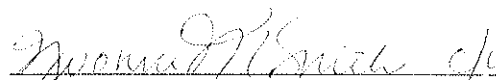
Mr. Sandal stated he would not be extending his term. The Audit Committee thanked Mr. Sandal for his service. Mr. Sandal has been a trustee of the Audit Committee since September 25, 2009. Mr. Sandal stated it has been an educational experience and thanked the Audit Committee and the team at RIO.

OTHER:

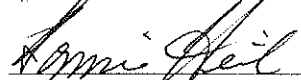
The next Audit Committee meeting is scheduled for Friday, September 22, 2017, at 1:00 pm at the State Capitol, Peace Garden Room.

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 4:05 p.m.

Respectfully Submitted:



Ms. Rebecca Dorwart, Chair
SIB Audit Committee



Bonnie Heit
Assistant to the Audit Committee