

STATE INVESTMENT BOARD  
AUDIT COMMITTEE MEETING  
MINUTES OF THE  
SEPTEMBER 27, 2018 MEETING

COMMITTEE MEMBERS PRESENT: Yvonne Smith, PERS Board, Chair  
Rob Lech, TFFR Board, Vice Chair  
Jon Griffin, External Representative  
Cindy Ternes, Workforce Safety & Insurance

MEMBERS ABSENT: Josh Wiens, External Representative

STAFF PRESENT: Bonnie Heit, Asst to the Audit Committee  
David Hunter, ED/CIO  
Fay Kopp, Dep ED/CRO  
Sara Sauter, Audit Svs Suprv  
Cody Schmidt, Compliance Officer  
Dottie Thorsen, Internal Auditor

GUEST: Anders Odegaard, Attorney General's Office

CALL TO ORDER:

Ms. Smith called the State Investment Board (SIB) Audit Committee meeting to order at 10:00 a.m. on Thursday, September 27, 2018, at the Retirement and Investment Office (RIO), 3442 E Century Ave., Bismarck, ND.

A quorum was present for conducting business.

AGENDA:

IT WAS MOVED BY MS. TERNES AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE SEPTEMBER 27, 2018, MEETING AS DISTRIBUTED.

AYES: DR. LECH, MS. TERNES, MR. GRIFFIN, MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. WIENS

MINUTES:

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. TERNES AND CARRIED BY A VOICE VOTE TO ACCEPT THE MAY 24, 2018, MINUTES.

AYES: MR. GRIFFIN, DR. LECH, MS. TERNES, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. WIENS

ELECTION OF OFFICERS:

IT WAS MOVED BY MS. TERNES AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO NOMINATE MS. SMITH AS CHAIR OF THE SIB AUDIT COMMITTEE FOR THE PERIOD OF SEPTEMBER 27, 2018 - JUNE 30, 2019.

AYES: MS. TERNES, DR. LECH, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. WIENS

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO NOMINATE DR. LECH AS VICE CHAIR OF THE SIB AUDIT COMMITTEE FOR THE PERIOD OF SEPTEMBER 27, 2018 - JUNE 30, 2019.

AYES: MR. GRIFFIN, DR. LECH, MS. TERNES, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. WIENS

Discussion took place on the appointment of the Audit Committee liaison to the SIB. Ms. Ternes volunteered to serve as liaison to the SIB until she is no longer a member of the Committee. Ms. Ternes announced she will be retiring April 2019.

~~IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT MS. TERNES TO SERVE AS LIAISON TO THE SIB.~~

AYES: DR. LECH, MS. TERNES, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. WIENS

CODE OF CONDUCT AFFIRMATION:

Mr. Schmidt reviewed the SIB Governance Manual Policy B-8, Board Members' Code of Conduct, which details the code of ethical responsibility applicable to members of the SIB. The Audit Committee, as a standing committee of the SIB, is required to adhere to any applicable policies contained within the SIB Governance Manual. Committee members acknowledged the policy and returned their affirmation to RIO personnel.

AUDIT ACTIVITIES REPORT:

Ms. Sauter reviewed the Internal Audit's year end activities report for the period of July 1, 2017 through June 30, 2018.

Eleven TFFR Employer Audits had been completed (nine compliance audits and two special audits), one audit was in progress, five were pending and not yet started.

The following audits were completed in the fiscal year: Benefits Payment Audit, Annual Salary Verification Project, Executive Limitations, special audit of Parshall, and TFFR File Maintenance (third/fourth quarters of FY2017, and first quarter of FY2018).

Internal Audit provided assistance to RIO's external audit partner CliftonLarsonAllen during the FY2018 financial audit of RIO as well as the GASB 68 census data audits.

Internal Audit pursued networking and professional development opportunities via the Institute of Internal Auditing's (IIA) local chapter, Central NoDak. Staff attended monthly IIA meetings throughout the year which covered a variety of topics. Ms. Sauter attended the Association of Public Pension Fund Auditor's spring conference which focused on various public auditing topics.

Discussion followed on the status of compliance audits being completed. Ms. Ternes raised concerns on the number of compliance audits being completed and if more staff is needed because of the importance of validation of contributions paid.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE YEAR END ACTIVITIES REPORT FOR FY2018.**

**AYES: MR. GRIFFIN, DR. LECH, MS. TERNES, MS. SMITH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. WIENS**

**AUDIT COMMITTEE REPORT TO SIB:**

The Audit Committee deferred Agenda Item 6, Audit Committee Report to the SIB, until the Audit Committee addressed Agenda Item 10, Agency Risk Assessment and Audit Workplan.

**AUDIT COMMITTEE CHARTER/REVIEW OF RESPONSIBILITIES:**

Ms. Sauter indicated the Audit Committee Charter and responsibilities agenda item is a review of the Audit Committee's charter and how the Audit Committee addressed their responsibilities for the July 1, 2017 - June 30, 2018 period.

The Audit Committee recessed at 10:36 a.m. for an office building fire drill.

The Audit Committee reconvened at 10:50 a.m. after the Bismarck Fire Department determined it was safe to re-enter the building.

Further review and discussion of the Audit Committee Charter and responsibilities took place. After the review was completed.

**IT WAS MOVED BY MS. TERNES AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AUDIT COMMITTEE'S CHARTER AND REVIEW OF RESPONSIBILITIES REPORT FOR FY2018.**

**AYES: MS. TERNES, DR. LECH, MR. GRIFFIN, AND MS. SMITH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. WIENS**

**FIDUCIARY RESPONSIBILITY SIB AUDIT COMMITTEE:**

Mr. Odegaard presented an educational segment addressing the fiduciary responsibilities of the SIB Audit Committee.

**AUDIT COMMITTEE CHARTER:**

Ms. Sauter reviewed revisions to the Audit Committee Charter to reflect best practices. The revisions were previously reviewed by legal counsel.

The Audit Committee reviewed and discussed each revision separately and did have additional revisions.

Due to time constraints, Ms. Sauter will bring back the Audit Committee's Charter with the revisions reflected for the Audit Committee's consideration and acceptance.

**INTERNAL AUDIT SERVICES CHARTER:**

Due to time constraints, the review of RIO's Internal Audit Service's charter was deferred until the November 15, 2018, meeting.

**RISK ASSESSMENT AND AUDIT WORKPLAN:**

Ms. Sauter conducted a risk assessment of RIO and reviewed the results. The Audit Committee requested Ms. Sauter conduct a risk assessment of RIO at their May 24, 2018, meeting to coincide with the workplan for the Internal Audit division of RIO for the period of July 1, 2018 - June 30, 2019. Results of this year's risk assessment would transition the Internal Audit division of RIO from a 95/5 split of time allocated between the Teachers' Fund for Retirement program and the State Investment Board program respectively to a 50/50 split.

Ms. Sauter presented a workplan which reflected the results of the risk assessment for the period of July 1, 2018 - June 30, 2019 period for the Audit Committee's consideration and acceptance.

**IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. TERNES AND CARRIED BY A VOICE VOTE TO APPROVE THE AUDIT WORKPLAN FOR THE PERIOD OF JULY 1, 2018 - JUNE 30, 2019.**

**AYES: MR. GRIFFIN, DR. LECH, MS. TERNES, AND MS. SMITH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. WIENS**

**AUDIT COMMITTEE REPORT TO SIB:**

After review of the workplan, the Audit Committee considered the year end activities report to the SIB for the period of July 1, 2017 - June 30, 2018.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE AUDIT COMMITTEE'S REPORT TO THE SIB FOR THE PERIOD OF JULY 1, 2017 - JUNE 30, 2018.**

**AYES: DR. LECH, MS. TERNES, MR. GRIFFIN, AND MS. SMITH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. WIENS**

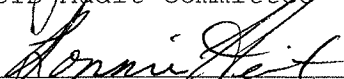
OTHER:

The next Audit Committee meeting is scheduled for Thursday, November 15, 2018, at 3:00 pm at the Retirement and Investment Office, 3442 East Century Ave., Bismarck, ND.

With no further business to come before the Audit Committee, Ms. Smith adjourned the meeting at 12:12 p.m.

Respectfully Submitted:

  
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Ms. Yvonne Smith, Chair  
SIB Audit Committee

  
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Bonnie Heit  
Assistant to the Audit Committee