

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
FEBRUARY 21, 2019 MEETING**

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

STAFF PRESENT: Bonnie Heit, Admin Svs Suprv
David Hunter, ED/CIO
Fay Kopp, Dep ED/CRO
Sara Sauter, Audit Svs Suprv
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 3:00 p.m. on Thursday, February 21, 2019, at the Retirement and Investment Office (RIO), 3442 E Century Ave., Bismarck, ND.

A quorum was present for conducting business.

AGENDA:

The agenda was considered for the February 21, 2019, meeting.

IT WAS MOVED BY MS. TERNES AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE FEBRUARY 21, 2019, MEETING AS DISTRIBUTED.

**AYES: DR. LECH, MS. TERNES, MR. WIENS, MR. GRIFFIN, AND MS. SMITH
NAYS: NONE
MOTION CARRIED**

MINUTES:

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. WIENS AND CARRIED BY A VOICE VOTE TO ACCEPT THE NOVEMBER 15, 2018, MINUTES AS DISTRIBUTED.

**AYES: MR. GRIFFIN, DR. LECH, MS. TERNES, MR. WIENS, AND MS. SMITH
NAYS: NONE
MOTION CARRIED**

LIAISON DESIGNATION:

The Audit Committee's charter states a liaison to the SIB will be appointed by the Chair. Ms. Smith appointed Dr. Lech to serve through the period of June 30, 2019.

LEGISLATIVE UPDATE:

Mr. Hunter provided an update on the following bills that RIO personnel are monitoring: HB 1013 Land Agency Budget & Investments, HB 1368 SIB Membership, HB 1504 Legacy Earnings Fund, SB 2022 RIO Budget, SB 2276 Infrastructure Revolving Loan Fund, SB 2293 Game and Fish - Special Fund, SB 2017 Game and Fish Department Budget, and SCR 4005 Legacy Fund - Principal & Earnings.

AUDIT ACTIVITIES REPORT:

Ms. Sauter reviewed the Internal Audit Division's activity for the period of September 1, 2018 - December 31, 2018.

Three Employer Audits were completed and three were in progress.

The Cost Benefit Effective Benefit Payment Audit and Executive Limitation Audits were completed.

RIO's Internal Audit Division and Information Technology Division are working with the State's Information Technology Department to develop data analytics to help streamline the Teachers' Fund for Retirement (TFFR) employer salary, service hours, and eligibility review process.

Internal Audit Services provided support to CliftonLarsonAllen (CLA) during the GASB 68 Census Data Audit for the period ending June 30, 2018.

Internal Audit Services is in the process of developing an audit on the due diligence that is being performed on the contracted SIB investment managers by RIO personnel. The audit entails reviewing the procedures and documentation that is currently being conducted.

Audit Services participated in the Institute of Internal Auditors (IIA) Central NoDak Chapter as well as other entities for continuing education.

Ms. Thorsen reviewed the Cost Benefit Effective Benefit Payment Audit process and the Internal Audit Division's findings and recommendations.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE PERIOD OF SEPTEMBER 1, 2018 - DECEMBER 31, 2018.

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

NAYS: NONE

MOTION CARRIED

EXECUTIVE LIMITATION AUDIT:

Ms. Sauter reviewed the results of the Executive Limitations Audit where the audit focuses on the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation Policies A-1 through A-11 for the calendar year beginning January 1, 2018, and ending December 31, 2018. Ms. Sauter stated the Internal Audit Division is sufficiently satisfied that the Executive Director/CIO is in compliance with SIB Governance Manual Executive Limitation Policies.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. WIENS AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS AUDIT REPORT FOR THE PERIOD OF JANUARY 1, 2018 - DECEMBER 31, 2018.

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

NAYS: NONE

MOTION CARRIED

TFFR EMPLOYER REPORT PROCESS:

Ms. Sauter reviewed the procedures that the Internal Audit Division and Retirement Services have established regarding the TFFR Employer Reporting Reviews. At the November 15, 2018, meeting, the Audit Committee was advised by Mr. Odegaard, RIO's legal counsel, that the Internal Audit Division of RIO is to no longer communicate their final audit reviews to the Employers. Retirement Services (the administrative unit of the TFFR Board) will communicate directly with the Employers per state statute.

GASB 68 SCHEDULE AUDIT:

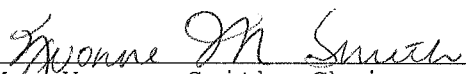
Ms. Sauter informed the Audit Committee the GASB 68 Census Data Audit was issued by CLA in December 2018. CLA will be at the May 23, 2019, Audit Committee meeting to present the results of the audit.

OTHER:

The next Audit Committee meeting is scheduled for Thursday, May 23, 2019, at 3:00 p.m. 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 3:51 p.m.

Respectfully Submitted:


 Ms. Yvonne Smith, Chair
 SIB Audit Committee


 Bonnie Heit
 Recording Secretary