

STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
MAY 23, 2019 MEETING

COMMITTEE MEMBERS PRESENT: Yvonne Smith, PERS Board, Chair
Jon Griffin, External Representative
Josh Wiens, External Representative

MEMBERS ABSENT: Bryan Klipfel, Workforce Safety & Insurance
Rob Lech, TFFR Board, Vice Chair

STAFF PRESENT: Connie Flanagan, Chief Financial Officer
Bonnie Heit, Admin Svs Suprv
David Hunter, ED/CIO
Fay Kopp, Dep ED/CRO
Sara Sauter, Suprv of Internal Audit
Shelly Schumacher, Retirement Program Manager
Dottie Thorsen, Internal Auditor

GUEST: Thomas Rey, CliftonLarsonAllen
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, May 23, 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 May 23, 2019, meeting.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MR. WIENS AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 23, 2019, MEETING AS DISTRIBUTED.

AYES: MR. WIENS, MR. GRIFFIN, MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: DR. LECH, MR. KLIPFEL

MINUTES:

IT WAS MOVED BY MR. WIENS AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE FEBRUARY 21, 2019, MINUTES AS DISTRIBUTED.

AYES: MR. GRIFFIN, MR. WIENS, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: DR. LECH, MR. KLIPFEL

CLIFTONLARSONALLEN:

Mr. Rey reviewed the engagement scope, work plan, critical audit areas, and timeline of the financial statement audit of the Retirement and Investment Office (RIO) for the period of July 1, 2018 - June 30, 2019.

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, 2018. An unmodified clean opinion was issued on the statements.

Discussion followed on ongoing internal audit activities that could be done throughout the year in support of CliftonLarsonAllen. Mr. Rey felt since a Risk Assessment has been completed on RIO that a starting point would be to focus on areas that have been identified as the highest risk. CliftonLarsonAllen and the Internal Audit Division will be coordinating more of their efforts as the Internal Audit Division of RIO continues to refocus their efforts and audit areas of RIO that have been identified as those of highest risk.

IT WAS MOVED BY MR. WEIN AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE AUDIT SCOPE AND APPROACH PRESENTED BY CLIFTONLARSONALLEN FOR THE FINANCIAL STATEMENT AUDIT OF RIO FOR THE PERIOD OF JULY 1, 2018 - JUNE 30, 2019.

AYES: MR. WIENS, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: DR. LECH, MR. KLIPFEL

AUDIT ACTIVITIES REPORT:

Ms. Sauter reported on internal audit activities for the period of January 1, 2019 - March 31, 2019, and also provided updates.

Four employer audits have been completed with three in progress with two to be completed by fiscal year end.

The Teachers' Fund for Retirement (TFFR) Purchase and Refund Audit has been completed. There were no significant findings.

The TFFR Salary Verification Audit testing is completed. The report will be forthcoming.

Since January of 2018, Internal Audit and RIO's Information Technology Division have been working with the State Information Technology Division to develop data analytics to help streamline the TFFR Employer Salary, Service Hours, and Eligibility Review process. The goal is to have it completed by June 30, 2019.

The TFFR Cost Benefit Audit was completed and reviewed with the Audit Committee at their February 21, 2019, meeting.

The Executive Limitations Audit was completed and reviewed with the Audit Committee at their February 21, 2019, meeting.

The Internal Audit Division has been assisting the SIB Executive Review Committee in the annual evaluation of the Executive Director/CIO and also assisting in developing and administering a board self-assessment.

The Investment Due Diligence audit testing has been completed. The audit is a new focus of the Internal Audit Division. The report will be forthcoming.

Ms. Sauter reported on Administrative Activities which included an educational segment at a RIO staff meeting on what internal audit is and its structure.

Ms. Sauter also provided an update on what Internal Audit will specifically be focusing on in the next couple of months.

Discussion followed on data analytics and the Death Audit.

Ms. Sauter and Ms. Thorsen also reviewed the Purchase and Refund Audit.

Ms. Sauter also reviewed the Executive Limitation review process.

Ms. Sauter also reviewed a draft of the final Employer Reporting Review. She has been working with the Retirement Services Division to revamp the final report that will be issued to Retirement Services. Internal Audit will now be issuing their findings on Employer audits to Retirement Services, not the Employers. Retirement Services will be responsible for issuing reports to the Employers and giving a written response on how, if any, findings and recommendations are being addressed.

IT WAS MOVED BY MR. WIENS AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INTERNAL ACTIVITIES REPORT FOR THE PERIOD OF JANUARY 1, 2019 - MARCH 31, 2019, AS WELL AS THE UPDATES.

AYES: MR. GRIFFIN, MR. WIENS, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: DR. LECH, MR. KLIPFEL

WORK PLAN & BUDGETED HOURS:

Ms. Sauter reviewed the July 1, 2019 - June 30, 2020 work plan and requested feedback from the Audit Committee as far as allocation of time.

Discussion followed on the work plan.

Mr. Wiens questioned if there is confirmation of the valuation and existence of the SIB assets.

Mr. Hunter reviewed the avenues that would be available to Ms. Sauter. Ms. Sauter will work with the Investment Service's Division to determine the most efficient process to pursue and will report back to the Audit Committee.

The work plan will be revised to reflect this change and brought before the Audit Committee at their September 2019 meeting.

IT WAS MOVED BY MR. WIENS AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE CURRENT WORKPLAN WITH MODIFICATIONS TO TAKE PLACE AS WARRANTED.

AYES: MR. WIENS, MR. GRIFFIN, AND MS. SMITH
NYAS: NONE
MOTION CARRIED
ABSENT: DR. LECH, MR. KLIPFEL

MEETING SCHEDULE:

A draft meeting schedule for the period of July 2019 - June 30, 2020 was presented for the Audit Committee's consideration.

The Audit Committee concurred with the schedule.

COMMITTEE MEMBERSHIP:

The Audit Committee membership will be determined by the SIB at their July 26, 2019, meeting. Current Audit Committee members are to let Ms. Sauter know if they are interested in continuing to serve.

OTHER:


The next Audit Committee meeting is scheduled for Thursday, September 26, 2019, at 10:00 a.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 4:21 p.m.

Respectfully Submitted:



Ms. Yvonne Smith, Chair
SIB Audit Committee



Bonnie Heit
Recording Secretary