

STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
NOVEMBER 13, 2019 MEETING

COMMITTEE MEMBERS PRESENT: Yvonne Smith, PERS Board, Chair
Rob Lech, TFFR Board, Vice Chair (TLCF)
Julie Dahle, External Representative
Jon Griffin, External Representative
Jodi Smith, Commissioner of Dept. of Trust Lands

STAFF PRESENT: Amy Carlson, Investment Accountant
Connie Flanagan, Chief Financial Officer
Bonnie Heit, Admin Svs Suprv
Fay Kopp, Dep ED/CRO
Missy Kopp, Retirement Svs Asst
Sara Sauter, Suprv of Internal Audit
Shelly Schumacher, Retirement Program Manager
Dottie Thorsen, Internal Auditor

GUEST: Thomas Rey, CliftonLarsonAllen

CALL TO ORDER:

Ms. Smith called the State Investment Board (SIB) Audit Committee meeting to order at 7:00 p.m. on Thursday, November 13, 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 November 13, 2019, meeting.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 13, 2019, MEETING AS DISTRIBUTED.

AYES: DR. LECH, COMMISSIONER SMITH, MS. DAHLE, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

MINUTES:

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE SEPTEMBER 26, 2019, MINUTES AS DISTRIBUTED.

AYES: MR. GRIFFIN, DR. LECH, COMMISSIONER SMITH, MS. DAHLE, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

CLIFTONLARSONALLEN LLP (CLA):

Mr. Rey reviewed the results of the June 30, 2019, financial audit report of RIO. CLA issued an unmodified "clean" opinion that the financial statements were presented fairly, in all material respects, in conformity with US Generally Accepted Accounting Principles (GAAP).

Mr. Rey also provided an update on the GASB 68 Schedule Audit. The employer census testing is complete. Twelve separate employers were tested for a total of 122 employees. CLA expects to issue the final report by the end of 2019.

As a follow-up to the discussion that took place at the September 26, 2019, meeting regarding 3rd party Employer audits, Ms. Sauter inquired about CLA providing these services. Mr. Rey stated CLA does provide 3rd party auditing services and reviewed what CLA provides for another pension plan.

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. DAHLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT CLA'S REPORT ON THE 2019 FINANCIAL AUDIT OF RIO.

AYES: COMMISSIONER SMITH, MS. DAHLE, DR. LECH, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

EMPLOYER REVIEW PROCESS:

Ms. Sauter and Ms. Thorsen provided an educational segment on Internal Audit's TFFR Employer salary review process. Also provided to the Audit Committee was a mock Employer workbook which outlined what Internal Audit reviews, documents, and forwards on to Retirement Services. Retirement Services then provides a response to the final report.

AUDIT ACTIVITIES REPORT:

Ms. Sauter reported on internal audit activities for the period of July 1, 2019 - September 30, 2019.

Audit Activities Completed on Behalf of the SIB - The SIB Customer Satisfaction Survey was completed and the results were provided to the SIB in October 2019.

The Investment Due Diligence Audit was completed in July 2019.

Audit Activities Completed on Behalf of TFFR - Three Employer Audits were completed as of September 30, 2019, and one was in progress. Ms. Sauter reviewed the results of the Jamestown School District Employer Audit which was completed in October 2019.

The TFFR File Maintenance Audit fieldwork has been completed and a report will be issued in November 2019.

Audit Activities Completed on Behalf of RIO - Assistance was provided to CLA during the GASB 68 Census Data Audits. Internal Audit notified twelve Employers of the audit in July 2019. Internal Audit also sent out twenty-four Employer confirmations as part of the financial statement audit.

The Administrative Expense Audit is currently in progress. Internal Audit is reviewing RIO's policies pertaining to travel and office expenses and comparing those to the Office of Management and Budget (OMB) policies and state purchasing requirements. The audit is currently in progress.

Administrative Activities - The Supervisor of Internal Audit attended staff/manager/division meetings and SIB/TFFR meetings. Orientation meetings were also held with the new Audit Committee members.

Internal Audit staff attended staff/division meetings and TFFR meetings.

Discussion followed on proper protocol in the manner of Dr. Lech voting on the quarterly Internal Audit Activities report which included the Employer Audit results for Jamestown Public Schools.

Ms. Kopp notified the Audit Committee that Mr. Anders Odegaard, legal counsel for RIO, is no longer employed by the Office of the Attorney General. After discussion,

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A ROLL CALL VOTE TO ALLOW DR. LECH VOTING PRIVILEGES IN THE MANNER OF THE JAMESTOWN PUBLIC SCHOOLS AUDIT.

AYES: MR. GRIFFIN, MS. DAHLE, COMMISSIONER SMITH, MS. SMITH

NAYS: NONE

ABSTAIN: DR. LECH

MOTION CARRIED

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE AUDIT ACTIVITIES REPORT FOR THE PERIOD OF JULY 1, 2019 - SEPTEMBER 30, 2019.

AYES: MS. DAHLE, MR. GRIFFIN, DR. LECH, COMMISSIONER SMITH, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

Ms. Sauter reported on current internal audit activities.

Audit Activities on Behalf of the SIB - The Executive Limitations Audit is in progress. The audit is a review of the Executive Director/CIO's compliance with the SIB Governance Manual Executive Limitation Policies A-1 through A-11 for calendar year 2019.

Audit Activities on Behalf of TFFR - The Employer Audit for Minot is in the planning/notification phase.

The Benefit Payment Audit is in the fieldwork phase.

Internal Audit is in the process of writing the final report for the File Maintenance Audit.

Internal Audit is also working with Retirement Services, Administrative Services, and Information Technology Services on tracking Retirement Services activities.

Internal Audit is proposing the following scope for the Salary Verification Audit. A sample of sixty-five members from 60 different employers will be selected. The accuracy of retirement salaries, member contributions, and employer contributions reported to TFFR are verified. The reasonableness of service hours is reviewed and eligibility of members is also confirmed.

Audit Activities on Behalf of RIO - The fieldwork is in progress for the Administrative Expense Audit.

Internal Audit worked with staff on developing various policies.

Internal Audit is proposing the following scope for the Internal Control Assessment. The purpose of the Internal Control Assessment is to evaluate existing internal controls and review their effectiveness. The assessment will document controls and review the effectiveness of the system as a whole. An assessment of about 90 questions will cover Internal Audit, Human Resources, Information Technology, and Operations, etc. Expansion of areas will be done as needed.

Administrative Activities - The Supervisor of Internal Audit attended the Association of Public Pension Fund Auditors conference in October 2019. Topics discussed were - governance for system implementation, assurance mapping, risk assessments, ethics, private equity fee, and the changing risk environment.

Internal Audit staff attended the local IIA training on critical thinking and skeptical judgment for auditors.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE CURRENT AUDIT ACTIVITIES REPORT.

AYES: MR. GRIFFIN, DR. LECH, COMMISSIONER SMITH, MS. DAHLE, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

AUDIT COMMITTEE CHARTER:

Ms. Sauter reviewed a draft of proposed revisions to the Audit Committee charter. After the review,

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE REVISIONS TO THE AUDIT COMMITTEE'S CHARTER.

AYES: COMMISSIONER SMITH, MS. DAHLE, DR. LECH, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

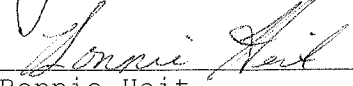
OTHER:

The next Audit Committee meeting is scheduled for Thursday, February 27, 2020, 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 3:28 p.m.

Respectfully Submitted:


 Ms. Yvonne Smith, Chair
 SIB Audit Committee


 Bonnie Heit
 Recorder