

STATE INVESTMENT BOARD  
AUDIT COMMITTEE MEETING  
MINUTES OF THE  
FEBRUARY 27, 2020, MEETING

**COMMITTEE MEMBERS PRESENT:** Yvonne Smith, PERS Board, Chair  
Rob Lech, TFFR Board, Vice Chair (remotely)  
Julie Dahle, External Representative  
Jon Griffin, External Representative

**COMMITTEE MEMBER ABSENT:** Jodi Smith, Commissioner of Dept. of Trust Lands

**STAFF PRESENT:** Bonnie Heit, Admin Svs Suprv  
David Hunter, Exec Dir/CIO  
Fay Kopp, Dep ED/CRO  
Sara Sauter, Suprv of Internal Audit  
Shelly Schumacher, Retirement Program Manager  
Dottie Thorsen, Internal Auditor  
Denise Weeks, Retirement Programs Specialist

**CALL TO ORDER:**

Ms. Smith called the State Investment Board (SIB) Audit Committee meeting to order at 3:02 p.m. on Thursday, February 27, 2020, at the Retirement and Investment Office (RIO), 3442 E Century Ave., Bismarck, ND.

**AGENDA:**

The agenda was considered for the February 27, 2020, meeting.

**IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE FEBRUARY 27, 2020, MEETING AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER SMITH**

**MINUTES:**

**IT WAS MOVED BY MS. DAHLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE NOVEMBER 13, 2019, MINUTES AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER SMITH**

**AGENCY UPDATE:**

Mr. Hunter provided an agency update. Ms. Fay Kopp, Deputy Executive Director/Chief Retirement Officer, and Ms. Shelly Schumacher, Retirement Program Manager, will be retiring on March 31, 2020, and February 29, 2020, respectively.

On January 9, 2020, the Deputy Executive Director/Chief Retirement Officer position was posted and closed on January 30, 2020. A top finalist was identified and as of February 24, 2020, staff and Human Resource Management Services (HRMS) are in the process of extending an offer.

On January 10, 2020, the Retirement Program Manager was internally posted. The opportunity was extended to Ms. Denise Weeks, Retirement Programs Specialist, effective March 1, 2020. The Retirement Programs Specialist position will be posted in the near future.

RIO received budget approval to add one investment position during the last legislative session. Mr. Matt Posch started as the Investment Division's Investment/Compliance Officer on February 3, 2020.

The Investment Accountant position was reposted as the previous hire was unable to successfully complete the probationary period. Effective March 2, 2020, Ms. Ann Griffin accepted the position.

#### **INTERNAL AUDIT ACTIVITIES REPORT:**

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

Audit Activities Completed on Behalf of the SIB - The Executive Limitations Audit for calendar year 2019 was underway with a completion date scheduled for February 2020. 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.

Audit Activities Completed on Behalf of TFFR - Three Employer Audits were completed as of September 30, 2019, and one was in progress.

The Salary Verification Audit was in progress. Internal Audit verifies retirement salaries and contributions reported to TFFR for the prior fiscal year for 65 randomly selected member accounts from 60 different employers.

Ms. Thorsen reviewed the TFFR File Maintenance Audit which was in progress and will be completed in February 2020. Changes made to TFFR member account data by staff are reviewed. Internal Audit reviews CPAS generated audit tables to ensure transactions initiated are expected and appropriate. Member accounts are reviewed to ensure contact and demographic information has been updated per the Member Action Form submitted. Change of address and the posting of beneficiary deaths that are not in pay status are also reviewed.

Discussion took place on death notifications and the process the office is using to find deaths in-state and out-of-state. Retirement Services currently does a manual search of obituaries in North Dakota newspapers, also utilizes ND's Division of Vital Records, and on a quarterly basis Life Status 360.

The Benefit Payment Audit was in progress and will be completed in February 2020. Internal Audit reviews deaths, long outstanding checks, and long term annuitants to determine if established policies and procedures are being followed.

Internal Audit has been working with RIO's Information Technology staff as well as with the ND Information Technology Dept. to develop data analytics to assist in streamlining the employer salary, service hours, and eligibility review process.

Audit Activities Completed on Behalf of RIO - Assistance was provided to CliftonLarsonAnderson (CLA) during the GASB 68 Census Data Audits. Internal Audit reconciled GASB 68 census testing data. The work concluded in October 2020.

The Administrative Expense Audit was completed in January 2020. Internal Audit reviewed RIO's policies pertaining to travel and office expenses and compared those to the Office of Management and Budget (OMB) policies and state purchasing requirements.

Administrative Activities - The Internal Audit Division attended SIB, TFFR, and office internal meetings.

Internal Audit continues to provide education to RIO staff on the Internal Audit Program.

Ms. Sauter attended the Association of Public Pension Fund Auditors Professional Development conference in October 2020.

Ms. Sauter is also pursuing a Master's in Business Administration with a concentration in Public Administration.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE PERIOD OF OCTOBER 1, 2019 - DECEMBER 31, 2019.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER SMITH**

Executive Limitations Audit - Ms. Sauter reviewed the Executive Limitations Audit that was completed for the period of January 1, 2019 through December 31, 2019. There were no issues or concerns. The Audit Committee received the supporting documentation for the audit on February 25, 2020.

**IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS AUDIT REPORT FOR THE PERIOD OF JANUARY 1, 2019 - DECEMBER 31, 2019.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER SMITH**

Current Internal Audit Activities - Ms. Sauter reviewed current Internal Audit activities.

Audit Activities on Behalf of the SIB - The Executive Review Committee (ERC) is working with Internal Audit on administering the SIB self-assessment. Once that is completed, the ERC will be addressing the review of the Executive Director/CIO which normally Internal Audit assists with.

Internal Audit will be including an Investment Confirmation Audit in their July 1, 2020 - June 30, 2021 work plan. A sample of investments will be selected and a confirmation letter will be sent to the SIB investment managers and the SIB's custodial bank, The Northern Trust. This will confirm investment balances exist and that the investments are reported accurately.

Audit Activities on Behalf of RIO - Internal Audit will be working on their work plan for the July 1, 2020 - June 30, 2021 period. The agency risk assessment will also be reviewed and updated.

Job Descriptions of Internal Audit staff will also be reviewed and updated where needed.

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 has been task tracking Retirement Services, Administrative Services, and Information Systems on retirement program activities to assist in documenting processes. The information will also be useful to Internal Audit in their audits and also implementation of the new pension software.

Discussion followed on obtaining a software, besides Data Analytics, specifically for Internal Audit to utilize to assist in analyzing data. Mr. Hunter stated the costs could be incorporated into the next budget planning cycle.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT'S CURRENT INTERNAL AUDIT ACTIVITIES.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER SMITH**

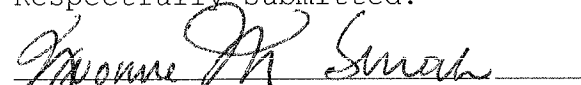
GASB 68 Schedules - The GASB 68 Census Data Audit report was issued by CLA last December 2019. CLA will present the results at the Audit Committee's May 21, 2020, meeting. The report was included in the Audit Committee's materials.


**OTHER:**

The next Audit Committee meeting is scheduled for Thursday, May 21, 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 4:31 p.m.

Respectfully Submitted:

  
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Ms. Yvonne Smith, Chair  
SIB Audit Committee

  
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Bonnie Heit  
Recorder