

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
NOVEMBER 18, 2020, MEETING**

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

STAFF PRESENT: Connie Flanagan, Chief Financial Officer
Bonnie Heit, Suprv of Admin Svs
David Hunter, Exec Dir/CIO
Jan Murtha, Dep Exec Dir/CRO
Sara Sauter, Suprv of Internal Audit
Darren Schulz, Dep CIO
Dottie Thorsen, Internal Auditor
Denise Weeks, Retirement Program Manager

GUESTS: Dean DePountis, Attorney General's Office
Thomas Rey, CliftonLarsonAllen
Tonia Shultz, CliftonLarsonAllen

CALL TO ORDER:

Ms. Smith called the State Investment Board (SIB) Audit Committee meeting to order at 1:30 p.m. on Wednesday, November 18, 2020, at the Retirement and Investment Office (RIO) (virtual host), 3442 E Century Ave., Bismarck, ND.

The following Audit Committee members were available representing a quorum; Dr. Lech, Commissioner Smith, Ms. Dahle, Mr. Griffin, and Ms. Smith

AGENDA:

The agenda was considered for the November 18, 2020, meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 18, 2020, MEETING AS DISTRIBUTED.

AYES: MR. GRIFFIN, DR. LECH, COMMISSIONER SMITH, MS. DAHLE, AND MS. SMITH, 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 AUGUST 13, 2020, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

CLIFTONLARSONALLEN (CLA) :

Mr. Rey reviewed the audit results of the financial statements of RIO for the period ending June 30, 2020. CLA issued an unmodified "clean" opinion that the financial statements were presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles.

CLA is also finalizing the GASB 68 audit for the period ending June 30, 2020.

CLA also highlighted financial positions of RIO.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE FINANCIAL STATEMENT AUDIT OF RIO FOR THE PERIOD ENDING JUNE 30, 2020.

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

NAYS: NONE

MOTION CARRIED

AUDIT ACTIVITIES:

Ms. Sauter reviewed audit activities for the period of July 1, 2020 - September 30, 2020.

The SIB customer satisfaction survey was conducted and results were provided to the SIB at their October 23, 2020, meeting.

Assistance was given to CLA for the GASB 68 census data audit and the financial statement audit for the period ending June 30, 2020. Additional time was also spent providing information to CLA for the financial statement audit as CLA was unable to be onsite.

The Cash Management and Rebalancing Audit was started in March 2020 but was temporarily put on hold due to COVID-19. The audit consists of a review of procedures for cash management and rebalancing of investment allocations.

The Internal Control Assessment is currently in progress. Internal Audit is working on an internal control guideline assessment put forth by the Office of Management and Budget. This is an overall assessment on processes for state agencies.

An Employer Salary Review was in progress with one employer audit. Internal Audit examines employer reporting to determine whether retirement salaries and contributions reported for members are accurate with the definition of salary as it appears in the Employer Guide. Also reviewed are calculation of service hours and eligibility of membership.

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

Ms. Sauter also reviewed a revised Direct Deposit form which has been modified to hopefully protect the members, going forward, from fraud occurring.

Ms. Sauter also reviewed administrative and Professional/CE/General education activities.

Ms. Thorsen reviewed the results of the Minot Employer Salary Review.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE AUDIT ACTIVITIES REPORT FOR THE PERIOD OF JULY 1, 2020 - SEPTEMBER 30, 2020.

AYES: DR. LECH, COMMISSIONER SMITH, MS. DAHLE, MR. GRIFFIN, MS. SMITH
 NAYS: NONE
 MOTION CARRIED

Ms. Sauter reviewed current audit activities. Internal Audit is participating in the Pension Administration System (PAS). The project is in Phase 1. Internal Audit is highly involved in the pros/cons of existing procedures/risks and the wishes, wants, and efficiencies for future operations.

The following audits are in progress - Minot Employer Salary Review, Salary Verification Audit, Internal Control Assessment, Cash Management and Rebalancing Audit, Investment Confirmation Audit, and Executive Limitations.

Internal Audit continues to work with management on the shift in priorities and changes due to COVID-19.

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

AYES: MR. GRIFFIN, DR. LECH, COMMISSIONER SMITH, MS. DAHLE, AND MS. SMITH
 NAYS: NONE
 MOTION CARRIED


OTHER:

The next Audit Committee meeting is scheduled for Thursday, February 25, 2021, at 3:00 p.m. at the Retirement and Investment Office (virtual), 3442 East Century Ave., Bismarck, ND.

With no further business to come before the Audit Committee, Ms. Smith adjourned the meeting at 2:50 p.m.

Respectfully Submitted:


 Ms. Yvonne Smith, Chair
 SIB Audit Committee


 Bonnie Heit
 Recorder

