

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
FEBRUARY 15, 2023, MEETING**

MEMBERS PRESENT:

Thomas Beadle, State Treasurer, Chair
Jon Griffin, External Representative
Cody Mickelson, TFFR Board
Yvonne Smith, PERS

MEMBER ABSENT:

Julie Dahle, External Representative Board, Vice Chair

STAFF PRESENT:

Missy Kopp, Exec. Assistant
Jan Murtha, Exec. Director
Sara Seiler, Suprv. of Internal Audit
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor

GUESTS :

Bruce Mills, Weaver

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:36 p.m. on Wednesday February 15, 2023, at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

The following Audit Committee members were present representing a quorum, Treasurer Beadle, Mr. Griffin, Mr. Mickelson, and Ms. Smith.

AGENDA:

The agenda was considered for the February 15, 2023, meeting.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE FEBRUARY 15, 2023, MEETING AS DISTRIBUTED.

AYES: MS. SMITH, MR. GRIFFIN, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

ABSENT: MS. DAHLE

MOTION CARRIED

MINUTES:

The minutes were considered for the November 15, 2022, meeting.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE NOVEMBER 15, 2022, MINUTES AS DISTRIBUTED.

AYES: MR. GRIFFIN, MR. MICKELSON, MS. SMITH, AND TREASURER BEADLE

NAYS: NONE

ABSENT: MS. DAHLE

MOTION CARRIED

INTERNAL AUDIT (IA) BUSINESS REVIEW PROCESS UPDATE:

Mr. Mills, Weaver, provided an update on the IA Business Process Review. Mr. Mills summarized the methodology and approach they used during the review. Weaver conducted an evaluation of the current state of maturity of the IA program utilizing the International Standards for the Professional Practice of Internal Auditing. The results of the review will provide a roadmap to the future state, enhancing IA effectiveness and efficiency of resources. Mr. Mills reviewed the maturity assessment, engagement status, staffing and resources. The final report will be presented to the Committee at the May 11, 2023, meeting. Committee discussion followed.

EXECUTIVE LIMITATIONS/STAFF RELATIONS:

Ms. Murtha provided an update on staffing at RIO. The Chief Risk Officer starts on February 21, 2023. The Investment Accountant position is open because that staff person moved into the Retirement Accountant position. Interviews for that position have been scheduled. The new Senior Investment Officer starts on March 20, 2023, and the Communications and Outreach Director position offer has been accepted with an anticipated start date in March. Current projects include the Legacy Fund asset allocation project, Pioneer Project, Northern Trust Initiative, and the IA Business Process review. A list of meetings attended, and legislative testimony provided by staff are included.

LEGISLATIVE SESSION UPDATE:

Ms. Murtha provided an update on the 2023 Legislative Session and bills that may be impactful to RIO programs. Staff continue to provide testimony on behalf of the Boards on bills that impact the TFFR or investment programs including multiple bills relating to Environmental, Social, Governance (ESG) investments. Other bills that staff have provided testimony on include HB 1088 which changes the SIB composition, SB 2330 which changes the definition of Legacy Fund earnings, and HB 1219 and SB 2258 which both affect TFFR. Committee discussion followed.

SECOND QUARTER AUDIT ACTIVITIES:

Ms. Seiler provided an update on IA activities for the second quarter. The Executive Limitations Audit starts in December and is completed in February. This audit is done annually as part of the Executive Director's review process. IA provided support to the external auditors for the Annual Financial Audit and GASB 68 Census Data Audit. The payroll audit was completed and reported in November 2022. The response from management was included. They agreed with the recommendations and put a plan in place. IA staff participated in the review of RIO administrative policies. For the TFFR program the Model 2 Partial Salary Review is in process and the File Maintenance Audit was issued on October 27, 2022. IA staff continues to participate in meetings for the Pioneer Project which in Phase 3, Pilot 2.

IA performed an employee exit review which IA performs when there is a sudden resignation or separation of an employee. IA reviews files to see if anything needs to be addressed. After the review, IA recommended the creation of a general email address for media and open records inquiries. The email would be monitored by multiple employees to prevent disruption to responses. IA also recommended adding an internal policy that staff members cannot add external people to internal RIO Team Channels without approval, and annual governance education for Board members focusing on governance structure.

Ms. Seiler summarized the administrative activities and professional development activities. Committee discussion followed.

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

AYES: MS. SMITH, MR. GRIFFIN, AND TREASURER BEADLE

NAYS: NONE

ABSENT: MS. DAHLE AND MR. MICKELSON

MOTION CARRIED

EXECUTIVE LIMITATIONS AUDIT:

Ms. Seiler summarized the Executive Limitations Final Audit Report. IA completes an annual review of the Executive Director's (ED) level of compliance with the SIB Governance Manual Executive Limitation policies for the calendar year. IA is sufficiently satisfied the ED was in compliance with SIB Governance Manual Executive Limitation Policies A-1 through A-11 during calendar year 2022.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS AUDIT.

AYES: MR. GRIFFIN, MS. SMITH, AND TREASURER BEADLE

NAYS: NONE

ABSENT: MS. DAHLE AND MR. MICKELSON

MOTION CARRIED

CURRENT IA ACTIVITIES:

Ms. Seiler provided an update on current IA activities. Audits currently in progress include the Executive Limitations, Model 2 Partial Salary Review, RIO Policy Manual update, Onboarding and Offboarding review, and Pioneer Project. A summary of meetings attended, and project participation was provided. Committee discussion followed.

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

AYES: MS. SMITH, MR. GRIFFIN, AND TREASURER BEADLE

NAYS: NONE

ABSENT: MS. DAHLE AND MR. MICKELSON

MOTION CARRIED

OTHER:

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 4:12 p.m.

Prepared by:

Missy Kopp, Assistant to the Board