

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
MAY 11, 2023, MEETING**

MEMBERS PRESENT: Thomas Beadle, State Treasurer, Chair
Julie Dahle, External Representative, Vice Chair
Cody Mickelson, TFFR Board
Yvonne Smith, PERS

MEMBER ABSENT: Jon Griffin, External Representative

STAFF PRESENT: Rachel Kmetz, Accounting Mgr.
Missy Kopp, Exec. Assistant
Jan Murtha, Exec. Director
Sara Seiler, Suprv. of Internal Audit
Dottie Thorsen, Internal Auditor

GUESTS : Dean DePountis, Attorney General's Office
Bruce Mills, Weaver
Paul Niedermuller, CLA

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:38 p.m. on Thursday, May 11, 2023, at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

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

AGENDA:

The agenda was considered for the May 11, 2023, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 11, 2023, MEETING AS DISTRIBUTED.

AYES: MS. DAHLE, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

ABSENT: MR. GRIFFIN AND MS. SMITH

MOTION CARRIED

MINUTES:

The minutes were considered for the February 15, 2023, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE FEBRUARY 15, 2023, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, MS. DAHLE, AND TREASURER BEADLE

NAYS: NONE

ABSENT: MR. GRIFFIN AND MS. SMITH

MOTION CARRIED

2022-23 FISCAL YEAR (FY) FINANCIAL AUDIT SCOPE AND APPROACH:

Mr. Paul Niedermuller, CliftonLarsonAllen (CLA), reviewed the engagement scope of the audit of RIO's financial statements and TFFR's GASB 68 schedules as of June 30, 2023. The review included the work plan, significant financial audit areas, information technology, and the timeline of work. Committee discussion followed.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE FINANCIAL AUDIT SCOPE AND APPROACH.

AYES: MS. DAHLE, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

ABSENT: MR. GRIFFIN AND MS. SMITH

INTERNAL AUDIT (IA) BUSINESS PROCESS REPORT:

Mr. Bruce Mills, Weaver, presented the IA Maturity Assessment results and recommendations. The engagement approach was based on IA standard requirements for an effective IA program. Weaver set goal and target maturity expectations with RIO management and conducted interviews with key staff and trustees. Using this information, Weaver developed a future state roadmap of actions, benefits, challenges, and key implementation steps for IA to achieve their desired maturity levels in the short and long term. Mr. Mills provided a summary of the assessment results, the IA maturity model, and ND RIO IA's maturity goals and target future state. The recommendations for staff and resources were presented. RIO is showing a shortfall in anticipated audit hours and the current team structure does not appear to have the capacity to meet the typical IA plan. These shortfalls can be addressed through additional headcount or external resources. Additional resources will be needed to address the additional complexity added by the internal investment program. Those resources include additional training in investment products, audit procedures, and required controls, external assistance, and additional junior level auditors. Committee discussion followed.

Ms. Smith joined the meeting at 3:07 pm.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE RECOMMENDATIONS FROM THE IA BUSINESS PROCESS REPORT.

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

NAYS: NONE

ABSENT: MR. GRIFFIN

MOTION CARRIED

2023-24 IA WORKPLAN AND BUDGETED HOURS:

Ms. Seiler presented the 2023-24 IA workplan and budgeted hours. The workplan represents what IA anticipates will be accomplished in the upcoming fiscal year, however, needs and priorities may change and require updates to the workplan. A recommendation from the IA Business Process Assessment, was to add hours for special projects that come up during the year. Committee discussion followed.

IT WAS MOVED BY MS. SMITH AND SECONDED BY MS. DAHLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE 2023-24 IA WORKPLAN AND BUDGETED HOURS.

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

NAYS: NONE

ABSENT: MR. GRIFFIN
MOTION CARRIED

EXECUTIVE LIMITATIONS/STAFF RELATIONS:

Ms. Murtha provided the Executive Limitations/Staff Relations report. The new Investment Accountant started this week, so RIO is fully staffed. The new Legal and Accounting Interns start next week for the summer. Ms. Murtha reviewed current projects including the IA Maturity Assessment. Ms. Murtha reviewed RIO's strategic plan and the goals that required legislative changes. With the legislation that was approved this session, we have achieved all the goals that were set in our strategic plan. Committee discussion followed.

THIRD QUARTER AUDIT ACTIVITIES:

Ms. Seiler provided an update on IA activities for the quarter ended March 31, 2023. Investment and agency audit activities included the Executive Limitations Audit, Executive Review and Compensation Committee, employee exit review, onboarding and offboarding procedures review, and the IA business process review. IA activities for the retirement program included a Model 2 Partial Salary review, Pioneer Project, and an actuarial services RFP. Committee discussion followed.

CUURENT 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. DAHLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE THIRD QUARTER AND CURRENT AUDIT ACTIVITIES REPORTS.

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

NAYS: NONE

ABSENT: MR. GRIFFIN

MOTION CARRIED

2023-24 SIB AUDIT COMMITTEE SCHEDULE:

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE 2023-24 SIB AUDIT COMMITTEE MEETING SCHEDULE.

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

NAYS: NONE

ABSENT: MR. GRIFFIN

MOTION CARRIED

AUDIT COMMITTEE MEMBERSHIP:

Ms. Seiler reviewed committee membership. Committee members serve 1-year terms with no limit on the number of terms served. Ms. Seiler asked the current members to notify her if they are willing to continue serving on the Committee for the 2023-24 fiscal year. Ms. Dahle has already notified Ms. Seiler that she is not planning to serve another term. Ms. Seiler discussed the process for finding outside representatives to serve on the Committee.

RESOLUTION FOR JULIE DAHLE:

ND State Investment Board Resolution in Appreciation of Julie Dahle

WHEREAS, Julie Dahle has served as a member of the State Investment Board Audit Committee since 2019; and

WHEREAS, Julie Dahle has diligently carried out her duties and responsibilities as a member of the SIB Audit Committee and fiduciary of the SIB Program; and

WHEREAS, Julie Dahle has been a valued and dedicated member of the SIB Audit Committee in helping maintain the integrity and stability of the SIB Program.

NOW THEREFORE, BE IT RESOLVED that Julie Dahle be duly recognized by the SIB Audit Committee for her years of unselfish dedication to the State of North Dakota through her service on the SIB Audit Committee.

DATED this 11th day of May 2023

IT WAS MOVED BY MS. SMITH AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE BOARD RESOLUTION.

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

NAYS: NONE

ABSENT: MR. GRIFFIN

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