

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
SIB AUDIT COMMITTEE CONFERENCE CALL MEETING
PEACE GARDEN ROOM, CAPITOL BUILDING
RETIREMENT AND INVESTMENT OFFICE
1930 BURNT BOAT DRIVE, BISMARCK, ND
FRIDAY, SEPTEMBER 28, 2012
TUESDAY, OCTOBER 16, 2012
1:00 P.M. CDT
3:30 P.M. CDT

AGENDA

1. **CALL TO ORDER AND APPROVAL OF AGENDA**
2. **APPROVAL OF JUNE 22, 2012 MINUTES** (enclosed).
3. **ELECTION OF CHAIR , VICE CHAIR, AND LIAISON**
4. **REPORT ON FISCAL 2012 INTERNAL AUDIT ACTIVITIES** - Les Mason and Dottie Thorsen (Approval Needed) (enclosed).
 - A. Compliance Audits (enclosed)
5. **PREPARE ANNUAL AUDIT COMMITTEE ACTIVITIES UPDATE MEMO TO SIB** (draft copy enclosed)
6. **CONSIDERATION OF PROPOSED JULY 1, 2012 TO JUNE 30, 2013 FISCAL YEAR INTERNAL AUDIT SERVICES UNIT WORK PLAN** - Les Mason (Approval Needed) (enclosed)
7. **PLAN ANNUAL AGENDA AND MEETING DATES** (enclosed)
8. **OTHER**
 - Next SIB Audit Committee meeting - November 16, 2012, 1:00 pm, ~~Peace Garden Room, State Capitol Building~~ Workforce Safety & Insurance
9. **ADJOURNMENT**

STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
JUNE 22, 2012 MEETING

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Lonny Mertz, Vice Chair
Mike Gessner, TFFR Board/Liaison to the SIB
Mike Sandal, PERS Board
Cindy Ternes, Workforce Safety & Insurance

STAFF PRESENT: Connie Flanagan, Fiscal & Investment Officer
Bonnie Heit, Office Manager
Fay Kopp, Interim Executive Director
Les Mason, Internal Audit Supervisor
Darren Schulz, Interim CIO
Dottie Thorsen, Internal Audit

OTHERS: Thomas Rey, CliftonLarsonAllen

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 1:00 p.m., on Friday, June 22, 2012 at the State Capitol, Peace Garden Room, Bismarck ND.

A quorum was present for the purpose of conducting business.

AGENDA:

The Audit Committee considered the June 22, 2012 agenda.

MR. SANDAL MOVED AND MS. TERNES SECONDED TO ACCEPT THE AGENDA FOR THE JUNE 22, 2012, MEETING.

AYES: MS. DORWART, MR. SANDAL, MS. TERNES, MR. MERTZ, AND MR. GESSNER

NAYS: NONE

MOTION CARRIED

MINUTES:

The Audit Committee considered the minutes from the March 16, 2012, meeting.

MR. GESSNER MOVED AND MR. SANDAL SECONDED TO APPROVE THE MARCH 16, 2012, MINUTES AS WRITTEN.

AYES: MR. GESSNER, MS. DORWART, MR. SANDAL, MS. TERNES, AND MR. MERTZ

NAYS: NONE

MOTION CARRIED

FISCAL YEAR 2012 FINANCIAL AUDIT SCOPE & APPROACH:

CliftonLarsonAllen was awarded the contract by the State Auditor's Office to perform an audit of the financial statements of the Retirement and Investment Office (RIO) for fiscal years ending June 30, 2012, 2013, and 2014. Mr. Thomas Rey, CliftonLarsonAllen, reviewed the firm's audit scope and approach for the Fiscal Year 2012 financial audit.

Preliminary field work was completed the week of June 18, 2012. Substantive field work will be completed in August and September 2012. A final signed audit opinion will be available to the Audit Committee late October 2012. Mr. Rey will be reviewing the results of the financial audit at the Audit Committee's November 16, 2012 meeting.

MR. GESSNER MOVED AND MS. TERNES SECONDED TO ACCEPT CLIFTONLARSONALLEN'S PRESENTATION ON THE FINANCIAL AUDIT SCOPE AND APPROACH OF RIO FOR FY12.

AYES: MS. TERNES, MR. MERTZ, MS. DORWART, MR. SANDAL, AND MR. GESSNER

NAYS: NONE

MOTION CARRIED

INTERNAL AUDIT ACTIVITIES:

Mr. Mason reviewed the Internal Audit division's work activity for the period of July 1, 2011 - June 13, 2012.

School District Audit Reports - Mr. Mason reported 31 school districts have been completed, six are in progress, information has been received from four school districts, and one school district asked for an extension. Three-four additional audits may be completed by the end of the month.

TFFR File Maintenance - Ms. Thorsen reported on the File Maintenance Audit for the third quarter. There were no exceptions noted.

MR. SANDAL MOVED AND MR. MERTZ SECONDED TO ACCEPT THE INTERNAL AUDIT DIVISION'S WORK ACTIVITY REPORT FOR THE PERIOD OF JULY 1, 2011 - JUNE 13, 2012.

AYES: MS. DORWART, MR. GESSNER, MR. MERTZ, MR. SANDAL, AND MS. TERNES

NAYS: NONE

MOTION CARRIED

FISCAL YEAR 2013 WORK PLAN:

Mr. Mason reviewed a draft of the Fiscal Year 2013 Internal Audit division's work plan. Discussion was held on projects and hours needed to complete those projects. Mr. Mason will provide a final report at the September 28, 2012, Audit Committee meeting.

OTHER:

The next Audit Committee meeting is scheduled for September 28, 2012, at 1:00 p.m. at the State Capitol, Peace Garden Room.

ADJOURNMENT:

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 1:45 p.m.

Respectfully Submitted:

Ms. Rebecca Dorwart, Chair
SIB Audit Committee

Bonnie Heit
Assistant to the Audit Committee

**RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT SERVICES UNIT
AUDIT ACTIVITIES REPORT
FISCAL YEAR JULY 1, 2012 TO JUNE 30, 2013
FOR THE PERIOD JULY 1, 2012 THROUGH SEPTEMBER 14, 2012**

The audit objective of the Internal Audit Services Unit (Audit Unit) is twofold: first, to provide comprehensive, practical audit coverage of the Retirement and Investment Office (RIO) programs; second, to assist RIO management and the State Investment Board (SIB) by conducting special reviews or audits.

Our audit coverage is based on the Fiscal Year July 1, 2012 through June 30, 2013 Work Plan. The Work Plan is consistent with the Audit Unit charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO and the concerns of management and the SIB Audit Committee.

REGULAR AUDIT COVERAGE

Retirement Program

• **School District Reporting**

We are examining school district reporting to the Teachers' Fund for Retirement (TFFR) to determine that retirement salaries reported for members of TFFR are in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). Other reporting procedures reviewed during the audit process are calculation of service hours and eligibility for TFFR membership. A written report is issued after each audit examination is completed.

Our objective is to complete 43 or more school district audits during fiscal 2013. For the first 2 months and 14 days, 5 audits were completed. Currently, 6 audits are in progress, and information on 5 more school districts has been received. The attached list details the current status of these audits.

This is an area that requires special emphasis due to the level of risk identified through previous audit results. Our long-range plans include auditing each district over a five year period.

- **TFFR File Maintenance**

We periodically test changes made to TFFR member account data by RIO employees.

Journals are generated daily and monthly indicating any file maintenance changes made. Our previous external auditors recommended that the Audit Unit review these reports on a regular basis.

- **Deaths, Purchase of Service, Refunds, Long Outstanding Checks, and Long Term Annuitants**

A review of deaths, purchase of service, refunds, long outstanding checks, and long term annuitants was completed to determine that established policy and procedures are being followed by the retirement services division.

No exceptions were noted.

SUMMARY

Audit effort was directed to activities that are of greatest concern to the SIB Audit Committee, RIO management, and the external auditors.

LOOKING AHEAD

The focus of the internal audit function has been on external entities reporting to RIO, such as school district reporting to TFFR for its members. We will continue to conduct these audits while developing the other areas of audit coverage outlined in our Fiscal 2013 Work Plan.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
THIRD AUDIT CYCLE
SCHOOL DISTRICT COMPLIANCE AUDITS**

Total Members served in the third audit cycle	10,343
Total Audits completed in the third audit cycle	68
Audits in progress	10
Remaining Districts to be audited	98
Total Audits in the third cycle	<u>176</u>

In compliance	53
Generally in compliance	9
Not in compliance	6
	<u>68</u>

10 members or less	34 (Not audited)
State agencies	21 (Not audited)
More than 10 members	176 (audited)
Total District	<u>231</u>

FISCAL YEAR 2009/ 2010 (finished cycle 2 and started cycle 3-one-half of the year)

Barnes County North	3/26/2010	47	Generally in compliance		
Belfield	5/17/2010	27	In compliance		
Bottineau	4/29/2010	63	In compliance		
Central Cass	6/21/2010	64	In compliance		
Edinburg	5/27/2010	16	In compliance	I/C	16
Ellendale	5/12/2010	35	In compliance	GIC	2
Garrison	6/3/2010	39	In compliance	NIC	0
Grenora	6/22/2010	16	In compliance	Audits	18
Harvey	5/17/2010	43	In compliance	Cycle 2	17
Larimore	1/12/2010	51	In compliance		<u>35</u>
Lidgerwood	5/3/2010	21	In compliance		
Max	1/19/2010	23	In compliance		
Roosevelt/Carson	4/30/2010	21	In compliance		
Rugby	3/15/2010	59	In compliance		
Sargent Central	1/15/2010	27	Generally in compliance		
Scranton	4/13/2010	21	In compliance		
South Valley Spec. Education	11/12/2009	39	In compliance		
Valley City School	2/8/2010	85	In compliance		

18

697 Teachers

FISCAL YEAR 2010/ 2011

Alexander	2/14/2011	14	In compliance		
Bowman	8/11/2010	47	Generally in compliance		
Burke Central	7/29/2010	22	In compliance		
Glenburn	6/16/2011	30	Generally in compliance	I/C	7
Grafton	4/5/2011	88	Generally in compliance	GIC	5
Griggs County Central	6/24/2011	65	Generally in compliance	NIC	2
Halliday	6/22/2011	12	Not in compliance	Audits	14
Hettinger	10/25/2010	35	In compliance		
Lakota	12/14/2010	26	In compliance		
Minot	7/22/2010	629	In compliance		
Tioga	4/14/2011	30	In compliance		

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
THIRD AUDIT CYCLE
SCHOOL DISTRICT COMPLIANCE AUDITS**

United	4/1/2011	49	Generally in compliance
Velva	5/17/2011	49	Not in compliance
Washburn	5/9/2011	27	In compliance
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14		1,123	

FISCAL YEAR 2011/ 2012

Anamoose	7/25/2011	17	In compliance		
Beulah	1/6/2012	64	In compliance		
Bowbells	3/14/2012	13	In compliance		
Carrington	2/22/2012	51	In compliance		
Cavalier	12/30/2011	49	In compliance		
Central Valley	10/25/2011	24	In compliance		
Dakota Prairie	5/25/2012	37	In compliance		
Divide	12/29/2011	32	In compliance		
Drayton	11/8/2011	24	In compliance	I/C	26
Edgeley	5/29/2012	29	In compliance	GIC	2
Eight Mile	12/5/2011	24	Not in compliance	NIC	3
Fairmount	5/29/2012	17	In compliance	Audits	31
Finley-Sharon	5/21/2012	24	In compliance		
Gackle-Streeter	4/26/2012	15	Generally in compliance		
Hatton	6/13/2012	24	In compliance		
Hillsboro	1/4/2012	38	In compliance		
Hope	6/12/2012	11	In compliance		
Kidder County	3/14/2012	50	In compliance		
LaMoure	12/27/2011	29	In compliance		
Langdon Area Schools	4/3/2012	41	In compliance		
Leeds	10/27/2011	21	Generally in compliance		
Linton	1/23/2012	33	In compliance		
Lisbon	11/23/2011	56	In compliance		
Mandan	1/31/2012	297	In compliance		
Mandaree	5/21/2012	33	In compliance		
McKenzie County	8/4/2011	51	In compliance		
Milnor	6/6/2012	28	In compliance		
Richardton-Taylor	12/30/2011	31	In compliance		
Solen-Cannonball*	1/10/2012	41	2011/12 review required		
Williston	5/23/2012	198	Not in compliance		
Wilton	10/3/2011	23	In compliance		
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31		1,425			

*District was not in compliance in 2008/09 and 2009/10 (second cycle). Audit policy is to review a sample of salary one year after the audit to ensure reporting practices were amended.

FISCAL YEAR 2012/ 2013

Bismarck	9/13/2012	1054	In compliance		
Fort Yates	In progress	88	Working on 100% audit.		
Killdeer	9/18/2012	45	In compliance		
Kindred	In progress	52	100% -req add'l info.	I/C	4
McClusky	7/30/2012	22	Not in compliance	GIC	0
Minnewaukin	In progress	33	In progress	NIC	1
Mott-Regent	In progress	31	Waiting on add'l info.	Audits	5
Napoleon	In progress	29	Waiting on add'l info.		

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
 THIRD AUDIT CYCLE
 SCHOOL DISTRICT COMPLIANCE AUDITS**

Newburg	9/13/2012	19	In compliance
New England	7/17/2012	21	In compliance
New Town		76	Received information.
North Star		31	Received information.
Northwood		28	Received information.
Park River		48	Received information.
Powers Lake	In progress	23	Working on 100% audit.
Rolette		23	Received information.
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16		1,623	
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North Dakota Retirement and Investment Office

Fiscal Year 2012/ 2013

SCHOOL DISTRICT COMPLIANCE AUDITS

July 1, 2012 through June 30, 2013

	SCHOOL DISTRICT	FISCAL YEARS	MEMBERS IN DISTRICT	DATE AUDIT NOTIFICATION SENT	INFORMATION RECEIVED	REPORT DATE	MEMBER/ EMPLOYER CONTRIB'S DR(CR)	MEMBER'S SALARIES ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS	
X	Audit notifications sent to District (5)						In compliance		4		
&	Audits currently in progress (6)						Generally in compliance		0		
✓	School audits completed (5)						Not in compliance		1		
	Audits carried over from 2011/12 year (11)								5		
	Audit notifications sent 2012/13 (5)										
Carry forward from 2011/12											
1	✓	LM Bismarck	6/30/11, 10	1054	12/13/2011	12/5/2012	9/13/2012	0.00	0	0	In compliance No errors noted.
2	&	LM Fort Yates 100% audit	6/30/10, 09	88	1/7/2011	7/15/2011					Reviewing information received.
3	✓	LM Killdeer	6/30/11, 10	45	2/28/2012	3/21/2012	9/18/2012	0.00	0	0	In compliance The District did not issue written agreements for summer school.
4	&	DT Kindred (100% audit)	6/30/11, 10	52	12/13/2011	12/28/2011					Requested 100% of payroll contracts and salary information.
5	✓	DT McClusky	6/30/11, 10	22	2/28/2012	3/21/2012	7/30/2012	(2,442.87)	7	6	Not in compliance Reported salary in the wrong fiscal year; did not report eligible contract salary; reported ineligible subbing and recruiting bonuses; service hours incorrect for part-time teachers; and no written agreement for summer special education.
6	&	LM Minnewauken	6/30/11, 10	33	5/24/2012	6/28/2012					Reviewing information received.
7	&	DT Mott-Regent	6/30/11, 10	31	5/24/2012	6/8/2012					3rd request for additional information.
8	&	DT Napoleon	6/30/11, 10	29	5/24/2012	6/20/2012					3rd request for additional information.
9	✓	LM Newburg	6/30/11, 10	19	5/24/2012	6/21/2012	9/13/2012	0.00	0	0	In compliance No errors noted.
10	✓	DT New England	6/30/11, 10	21	5/24/2012	6/8/2012	7/17/2012	0.00	0	0	In compliance No errors noted.
11	&	DT Powers Lake (100% audit-programming issues)	6/30/11, 10	23	12/3/2011	12/21/2011					Reviewing additional information requested.

North Dakota Retirement and Investment Office
 Fiscal Year 2012/ 2013

SCHOOL DISTRICT COMPLIANCE AUDITS

July 1, 2012 through June 30, 2013

	SCHOOL DISTRICT	FISCAL YEARS	MEMBERS IN DISTRICT	DATE AUDIT NOTIFICATION SENT	INFORMATION RECEIVED	REPORT DATE	MEMBER/ EMPLOYER CONTRIB'S DR(CR)	MEMBER'S SALARIES ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
✕	Audit notifications sent to District (5)						In compliance		4	
&	Audits currently in progress (6)						Generally in compliance		0	
✓	School audits completed (5)						Not in compliance		1	
	Audits carried over from 2011/12 year (11)								5	
	Audit notifications sent 2012/13 (5)									
	Notifications in 2012/13									
12	✕	LM New Town	6/30/11, 10	76	7/17/2012	8/16/2012				Received requested information.
13	✕	LM North Star	6/30/11, 10	31	7/17/2012	8/6/2012				Received requested information.
14	✕	LM Northwood	6/30/11, 10	28	7/17/2012	8/6/2012				Received requested information.
15	✕	LM Park River	6/30/11, 10	48	7/17/2012	8/13/2012				Received requested information.
16	✕	LM Rolette	6/30/11, 10	23	7/17/2012	9/5/2012				Received requested information (still waiting for one year).
		Totals	<u>1,623</u>				(2,442.87)	7	6	

1,161 Completed as of September 21, 2012

North Dakota Retirement and Investment Office
Fiscal Year 2011/ 2012

SCHOOL DISTRICT COMPLIANCE AUDITS

July 1, 2011 through June 30, 2012

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X & v		Audit notifications sent to District (4) Audits currently in progress (7) School audits completed (31)										In compliance Generally in compliance Not in compliance
											26 2 3 <hr/> 31	
		Audits carried over from the previous year (21) Audit notifications sent 2011/12 (21)										
		Carry forward from 2010/11										
1	v	DT Anamoose	6/30/10, 09	17	1/7/2011	1/19/2011	7/25/2011	(1,200.73)	3	1	In compliance District reported driver's education without a written agreement; did not report eligible activity director salary; and reported ineligible ticket-taking salary.	
2	v	LM Beulah	6/30/10, 09	64	4/26/2011	5/16/2011	1/6/2012	326.16	1	0	In compliance Did not report eligible subbing salary.	
3	v	DT Carrington	6/30/10, 09	51	4/26/2011	5/10/2011	2/22/2012	(1,540.92)	3	0	In compliance The District reported an ineligible fringe benefit.	
4	v	LM Cavalier	6/30/10, 09	49	4/26/2011	5/9/2011	12/30/2011	(506.90)	3	1	In compliance The District reported ineligible officiating salary; did not report eligible grant administrator and subbing salary; and no written agreement for one member.	
5	v	DT Central Valley	6/30/10, 09	24	1/7/2011	1/24/2011	10/25/2011	0.00	0	0	In compliance The District reported summer salary to TFFR without a written agreement; did not report eligible in staff subbing (isolated) occurrence.	
6	v	LM Divide	6/30/10, 09	32	4/26/2011	5/16/2011	12/29/2011	0.00	0	0	In compliance No errors noted.	
7	v	LM Drayton	6/30/10, 09	24	4/26/2011	5/20/2011	11/8/2011	0.00	0	0	In compliance The District did not have written agreements for summer salary.	
8	v	LM Eight Mile	6/30/10, 09	24	1/7/2011	2/16/2011	12/5/2011	(3,376.07)	20	0	Not in compliance Ineligible unused personal leave and busing was reported.	
9	v	LM Finley-Sharon	6/30/10, 09	24	4/26/2011	5/12/2011	5/21/2012	(60.80)	1		In compliance Reported ineligible leave reimbursement and cooking salary.	
10	&	LM Fort Yates 100% audit	6/30/10, 09	88	1/7/2011	7/15/2011					Reviewing information received.	
11	v	DT Hillsboro	6/30/10, 09	38	4/26/2011	5/5/2011	1/4/2012	302.67	4	0	In compliance The District did not report eligible athletic supervision/ concession salary.	

North Dakota Retirement and Investment Office
Fiscal Year 2011/ 2012

SCHOOL DISTRICT COMPLIANCE AUDITS

July 1, 2011 through June 30, 2012

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X & ✓		Audit notifications sent to District (4) Audits currently in progress (7) School audits completed (31)										In compliance Generally in compliance Not in compliance <hr/> 31
		Audits carried over from the previous year (21) Audit notifications sent 2011/12 (21)										
12	✓	DT Kidder County	6/30/10, 09	50	1/7/2011	3/14/2012	3/15/2012	(382.71)	1	2	In compliance Reported summer salary without a written agreement, reported service hours incorrectly for two members, and reported an incorrect contract salary.	
13	✓	LM LaMoure	6/30/09, 08	29	4/26/2011	5/10/2011	12/27/2011	0.00	0	0	In compliance No errors noted.	
14	✓	DT Leeds	6/30/10, 09	21	1/7/2011	1/31/2011	10/27/2011	0.00	0	1	Generally in compliance All errors were isolated occurrences; reported ineligible subbing and busing; did not report eligible mini-society; reported salary owed from a prior year in the current year; reported model 3 contribution incorrectly; and reported service hours incorrectly.	
15	✓	LM Linton	6/30/10, 09	33	4/26/2011	5/24/2011	1/23/2012	0.00	0	0	In compliance No exceptions noted.	
16	✓	LM Lisbon	6/30/10, 09	56	4/26/2011	5/5/2011	11/23/2011	0.00	0	0	In compliance No exceptions noted.	
17	✓	DT Mandan	6/30/10, 09	297	1/7/2011	1/21/2011	1/31/2012	(446.99)	1	3	In compliance Did not have written agreements for summer salary; Reported ineligible para-instructor salary (isolated occurrences); and reported service hours incorrectly for part-time members.	
18	✓	LM McKenzie County (Walford City)	6/30/10, 09	51	1/7/2011	1/26/2011	8/4/2011	(408.64)	1	1	In compliance The District did not report eligible in-staff subbing; The District reported ineligible subbing; Service hours were reported incorrectly for one member.	
19	✓	LM Richardton-Taylor	6/30/10, 09	31	4/26/2011	5/12/2011	12/30/2011	0.00	0	0	In compliance No errors were noted.	
20	✓	DT Williston	6/30/10, 09	198	1/7/2011	2/24/2011	5/25/2012	26.47	3	1	Not in compliance Reported salary in the wrong fiscal year; did not report eligible extra-curricular; reported ineligible subbing for a retired member; reported service hours incorrectly; did not have written agreements for summer salary and and extra-curricular salary for out-of-district teachers and district teachers.	
21	✓	DT Wilton	6/30/10, 09	23	4/26/2011	5/4/2011	10/3/2011	184.61	3	0	In compliance District did not report eligible athletic supervision salary.	

North Dakota Retirement and Investment Office
Fiscal Year 2011/ 2012

SCHOOL DISTRICT COMPLIANCE AUDITS

July 1, 2011 through June 30, 2012

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X	Audit notifications sent to District (4)						In compliance	26			
&	Audits currently in progress (7)						Generally in compliance	2			
✓	School audits completed (31)						Not in compliance	3			
	Audits carried over from the previous year (21)							31			
	Audit notifications sent 2011/12 (21)										
Notifications in 2011/12											
22	&	LM Bismarck	6/30/11, 10	1054	12/13/2011	12/5/2012				Reviewing information received.	
23	✓	DT Bowbells	6/30/11, 10	13	12/13/2011	12/27/2011	3/14/2012	0.00	0	0	In compliance Reported the incorrect salary for one member; did not have written agreements for summer school
24	✓	LM Dakota Prairie	6/30/11, 10	37	2/28/2012	3/15/2012	5/25/2012	0.00	0	0	In compliance No exceptions noted.
25	✓	LM Edgeley	6/30/11, 10	29	12/13/2011	1/11/2012	5/29/2012	(1,098.16)	2	1	In compliance District reported a teacher without a written agreement; and did not report eligible in-staff subbing.
26	✓	DT Fairmount	6/30/11, 10	17	2/28/2012	3/14/2012	5/30/2012	0.00	0	1	In compliance Reported service hours incorrectly.
27	✓	DT Gackle-Streeter	6/30/11, 10	15	12/13/2011	12/27/2011	4/26/2012	241.40	1	1	Generally in compliance Did not report eligible in-service; reported too much contract salary; reported service hours incorrectly; and did not report driver's education for a retired teacher.
28	✓	DT Hatton	6/30/11, 10	24	2/28/2012	3/19/2012	6/13/2012	(1,250.85)	2	0	In compliance The District did not report eligible in-staff subbing; and reported ineligible amount received in lieu of a previously employer-provided health benefit.
29	✓	DT Hope	6/30/11, 10	11	2/28/2012	3/28/2012	6/12/2012	0.00	0	0	In compliance Did not have a written agreement for 1 summer teacher.
30	&	LM Killdeer	6/30/11, 10	45	2/28/2012	3/21/2012					Finishing up audit.
31	&	DT Kindred (Programming issues- affects about 20 members for a two year period)	6/30/11, 10	52	12/13/2011	12/28/2011					Received additional contract/payroll information.
32	✓	DT Langdon Area Sch.	6/30/11, 10	41	12/13/2011	12/27/2011	4/3/2012	0.00	0	0	In compliance District did not report all advisor salary (isolated incident); Reported ineligible bus workshop (isolated incident).
33	✓	LM Mandaree	6/30/11, 10	33	12/13/2011	12/30/2011	5/21/2012	0.00	0	0	In compliance The District did not report eligible salary; did not have written agreements for summer salary.
34	&	DT McClusky	6/30/11, 10	22	2/28/2012	3/21/2012	6/30/11, 10	22			Retirement Services is making corrections.

North Dakota Retirement and Investment Office
Fiscal Year 2011/ 2012

SCHOOL DISTRICT COMPLIANCE AUDITS

July 1, 2011 through June 30, 2012

	SCHOOL DISTRICT	FISCAL YEARS	MEMBERS IN DISTRICT	DATE AUDIT NOTIFICATION SENT	INFORMATION RECEIVED	REPORT DATE	MEMBER/ EMPLOYER CONTRIB'S DR(CR)	MEMBER'S SALARIES ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
X	Audit notifications sent to District (4)						In compliance		26	
&	Audits currently in progress (7)						Generally in compliance		2	
✓	School audits completed (31)						Not in compliance		3	
	Audits carried over from the previous year (21)								31	
	Audit notifications sent 2011/12 (21)									
35	LM Milnor	6/30/11, 10	28	2/28/2012	3/19/2012	6/6/2012	0.00			In compliance Did not have written agreements for summer school.
36	LM Minnewauken	6/30/11, 10	33	5/24/2012	6/28/2012					Received requested information.
37	LM Mott-Regent	6/30/11, 10	31	5/24/2012	6/8/2012					Received requested information.
38	LM Napoleon	6/30/11, 10	29	5/24/2012	6/20/2012					Received requested information.
39	DT New England	6/30/11, 10	21	5/24/2012	6/8/2012					Finished audit, talked to b. mger, Les is reviewing file.
40	LM Newburg	6/30/11, 10	19	5/24/2012	6/21/2012					Received requested information.
41	DT Powers Lake (100% audit-programming issues)	6/30/11, 10	23	12/3/2011	12/21/2011					Reviewing payroll.
42	DT Solen-Cannonball*	6/30/2011	41	10/3/2011	10/27/2011	1/10/2012	0.00	0	0	2011/12 salary review required. Reported incorrect retirement salary for 35 members; provided written agreements for summer salary; reported summer salary in the correct fiscal year; reported service hours correctly.
Totals			<u>2,842</u>				(9,191.46)	49	13	

1,425 Completed as of June 30, 2012

Note*: The District was found not in compliance in 2009/10. Audit policy requires that a sample of members salaries are reviewed after a year to ensure corrections were made by the District in their reporting procedures.

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
KILLDEER PUBLIC SCHOOL DISTRICT
SEPTEMBER 18, 2012**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the Executive Director of RIO, the Deputy Executive Director-Retirement Officer of RIO, and the Audit Committee of the State Investment Board (SIB).

SCOPE

This audit is designed to test the accuracy of retirement salaries reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the Killdeer Public School (District) for the 2009-10 through 2010-11 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See Primary Test.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2009-10 through 2010-11. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Killdeer School for the fiscal years 2009-10 through 2010-11 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9) except for the following:

- The District did not issue written agreements for summer school teachers.

RECOMMENDATION AND CORRECTIVE ACTION

- TFFR requires that written agreements for summer school teachers be issued to the members. Please provide a written response on the District's intent to issue written agreements to these members. **The written response needs to be returned to the Retirement and Investment Office by October 15, 2012.**

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Les Mason
Supervisor of Internal Audit

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
BISMARCK PUBLIC SCHOOLS
SEPTEMBER 13, 2012**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the Executive Director of RIO, the Deputy Executive Director-Retirement Officer of RIO, and the Audit Committee of the State Investment Board (SIB).

SCOPE

This audit is designed to test the accuracy of retirement salaries reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of Bismarck Public Schools (District) for the 2009-10 through 2010-11 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See Primary Test.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2009-10 through 2010-11. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

FINDINGS

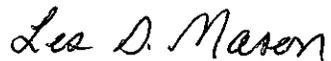
In our opinion, for the time period covered in the audit, the retirement salaries reported by the Bismarck Public Schools for the fiscal years 2009-10 through 2010-11 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9).

- There were no findings.

Compliance Audit Report
Page 2

If there had been findings and recommendations in this compliance audit, they were based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Les Mason
Supervisor of Internal Audit

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
NEWBURG UNITED DISTRICT
SEPTEMBER 13, 2012**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the Executive Director of RIO, the Deputy Executive Director-Retirement Officer of RIO, and the Audit Committee of the State Investment Board (SIB).

SCOPE

This audit is designed to test the accuracy of retirement salaries reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the Newburg United District (District) for the 2009-10 through 2010-11 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See Primary Test.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2009-10 through 2010-11. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

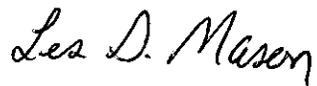
FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Newburg United District for the fiscal years 2009-10 through 2010-11 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9).

- There were no findings.

If there had been findings and recommendations in this compliance audit, they were based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.

A handwritten signature in black ink that reads "Les D. Mason". The signature is written in a cursive style with a large, prominent "L" and "M".

Les Mason
Supervisor of Internal Audit

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
MCCLUSKY SCHOOL DISTRICT
JULY 30, 2012**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the Executive Director of RIO, the Deputy Executive Director-Retirement Officer of RIO, and the Audit Committee of the State Investment Board (SIB).

SCOPE

This audit is designed to test the accuracy of retirement salaries reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the District for the 2009/10 through 2010/11 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See Primary Test.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2009/10 through 2010/11. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year. Therefore, we expanded our audit scope to include all members affected by reporting errors for the 2011/12 school year as well. Due to two errors, salary corrections also had to be made in 2007/08 and 2008/09.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries reported by the McClusky School District for the fiscal years 2009/10 through 2010/11 were not in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following errors were noted:

1. The District reported summer salary in the wrong fiscal year for three members.
2. The District did not report eligible contract salary for one member.
3. The District reported ineligible subbing and recruiting salary for four members.
4. The District reported service hours incorrectly for two part-time teachers.
5. The District did not issue written agreements for two summer special education teachers.

RECOMMENDATION AND CORRECTIVE ACTION

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in determining when salary is reportable (Reporting Section). The website address is www.nd.gov/rio/TFFR/Publications.

Finding 1:

June summer salary was reported in the wrong fiscal year for three members. Salary is reportable in the fiscal year in which the pay is earned. June salary is reported in one fiscal year and July/August is reported in another fiscal year. RIO will move the salary to the correct fiscal year and notify the three members about the salary correction (see Primary Test and Worksheet for Correcting Accounts).

Finding 2:

The District did not report the last contract payment for one member. She resigned before the end of her contract term. She only taught forty-seven days of a nine month contract. Service hours were reported correctly. The error caused a shortage in member/employer contributions. RIO will adjust the account and notify the member about the correction (see Primary Test and Worksheet for Correcting Accounts).

Finding 3:

The District reported ineligible subbing salary for one member and reported ineligible recruiting bonuses for three members. The ineligible subbing salary was earned while the member did not have a written agreement with the District. Substitute teaching is reportable to TFFR when the member has a written agreement with the District. Non-contracted substitute teaching is not reported to TFFR. Recruiting bonuses are never reported to TFFR. Of the three members where the District reported recruiting bonuses, only two of the member's accounts will be corrected. The third member had already closed her account with TFFR. The error caused an overpayment of member/employer contributions. RIO will notify the members in writing that changes have been made to their accounts (See Primary Test and Worksheet for Correcting Accounts).

Finding 4:

The District reported service hours incorrectly to TFFR for two part-time members. RIO will adjust the members' accounts and notify them about the correction (See Schedule 5 for each member).

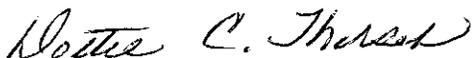
Finding 5:

The District did not provide written agreements for two summer special education teachers. The District stated that they have not issued extended school year contracts because the hours have varied and can be as little as two hours per week. TFFR recommends that the District should issue some form of written agreement to district and out-of-district teachers for all summer salary. If written agreements are not issued to teachers from outside the District or teachers without a continuing contract, the summer salary would not be reportable to TFFR. A written agreement can be a contract, school board minutes or other official document evidencing a contractual relationship between a teacher and participating employer. The error caused an overpayment of member/employer contributions for one member. RIO will refund contributions for the summer salary and notify the member in writing that a change has been made to her account (See Primary Test and Worksheet for Correcting Accounts).

The net amount overpaid for Findings 2, 3 and 5 is \$2,442.87. The check for the overpayment will be sent to the Business Manager. Please provide a written response on the District's intent to correct the above errors, including issuing written agreements for summer duties, in future reporting to TFFR. **The written response needs to be returned to the Retirement and Investment Office by August 20, 2012.** To ensure the errors have been corrected, RIO will again review your reporting procedures in one year.

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Dottie C. Thorsen
Internal Auditor

bh
Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
NEW ENGLAND SCHOOL DISTRICT
JULY 17, 2012**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the Executive Director of RIO, the Deputy Executive Director-Retirement Officer of RIO, and the Audit Committee of the State Investment Board (SIB).

SCOPE

This audit is designed to test the accuracy of retirement salaries reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the District for the 2009/10 through 2010/11 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See Primary Test.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2008/09 through 2009/10. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year. Therefore, we expanded our audit scope to include all members affected by reporting errors for the 2011/12 school year as well.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries reported by the New England School District for the fiscal years 2009/10 through 2010/11 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). There were no errors noted.

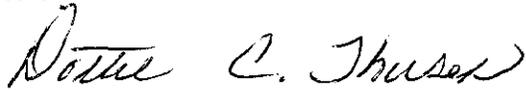
RECOMMENDATIONS

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in determining when salary is reportable (Reporting Section). The website address is www.nd.gov/rio//TFFR/Publications.

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future

modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.

A handwritten signature in cursive script that reads "Dottie C. Thorsen".

Dottie C. Thorsen
Internal Auditor

Enclosures

RIO INTERNAL AUDIT DIVISION

BUDGETED HOURS COMPARISON FOR THE FISCAL YEAR JULY 1, 2011 TO JUNE 30, 2012

BUDGETED HOURS FOR THE FISCAL YEAR JULY 1, 2012 TO JUNE 30, 2013

		<u>2011-12 BUDGET HOURS</u>	<u>2011-12 ACTUAL HOURS</u>	<u>OVER/ (UNDER)</u>	<u>PCT. Of TOTAL 2011-12</u>		<u>2012-13 BUDGET HOURS</u>	<u>YTD HOURS 7/1/2012 - 09/14/2012</u>	<u>PCT. Of TOTAL 7/1/2012 - 09/14/2012</u>
1. Audit									
School District Audits		2,633	2,486	(147)		2,792	511		
Follow-up on "not-in-compliance" prior year audits (30 hrs/audit, 2 audits)						60			
TFFR File Maintenance (2 days per quarter)		64	52	(12)		64	21		
Death, purchase of service, and refunds review						52	52		
Executive Limitations		50	52	2		24			
Policy & Procedure Manual						16			
Special Projects						40			
Benefit payments audit		198	157	(42)					
Participants' Data audit		100	95	(5)					
ACL Audits(pension/annuity comparison)		32	0	(32)					
Performance Audit Follow-up		36	10	(26)					
Assist external auditors		25	40	15					
		<hr/>					<hr/>		
Total Audit Hours	75%	3,138	2,891	(247)	69%	73%	3,048	585	66%
2. Administrative (meetings & prep, CEU's, etc.)	7%	310	433	123	10%	7%	292	106	12%
3. Annual/Sick Leave, Holidays	17%	712	836	124	20%	20%	820	189	21%
Total Budget Hours (2 FTE's)		<hr/>					<hr/>		
	100%	4,160	4,160	0	100%	100%	4,160	880	100%

**RIO INTERNAL AUDIT DIVISION
COMPARISON OF BUDGET TO ACTUAL SCHOOL DISTRICT AUDITS FOR 2011-2012 AND 2012-2013**

	<u>2011-2012 audits</u>		<u>2012-2013 audits</u>	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
1st quarter (July - September)	4	4	6	5
2nd quarter (October - December)	12	10	13	
3rd quarter (January - March)	10	4	12	
4th quarter (April - June)	9	13	12	
	<u>35</u>	<u>31</u>	<u>43</u>	<u>5</u>

DRAFT

MEMORANDUM

TO: STATE INVESTMENT BOARD

FROM: REBECCA DORWART, SIB AUDIT COMMITTEE CHAIRPERSON

DATE: SEPTEMBER 28, 2012

SUBJECT: AUDIT COMMITTEE ACTIVITIES UPDATE FOR THE FISCAL YEAR
JULY 1, 2011 TO JUNE 30, 2012

The Audit Committee is a standing committee of the State Investment Board (SIB). Its primary function is to assist the SIB in fulfilling its oversight responsibilities of the Retirement and Investment Office (RIO) internal and external audit programs, including the financial reporting process, internal controls, policies, and practices.

The members of the Audit Committee for the fiscal year ended June 30, 2012 were: Rebecca Dorwart, Chair; Lonny Mertz, Vice Chair; Cindy Ternes, designee from Workforce Safety representing elected and appointed officials; Michael Gessner, representing the Teachers' Fund for Retirement (TFFR) board; and Mike Sandal, representing the Public Employees Retirement System (PERS). The Audit Committee held four regular meetings during the fiscal year ended June 30, 2012.

The activities of the Audit Committee during the past year included:

- ◆ The Committee reviewed the quarterly progress of internal audit on its fiscal work plan of internal audit activities and functions including:
 - School districts
 - Benefit payments
 - Participants' data
 - TFFR file maintenance
 - Executive limitations
- ◆ The Committee received the results of the RIO financial audit for the fiscal year ended June 30, 2011 from Eide Bailly on November 18, 2011.

- ◆ The Committee held private meetings with the Internal Audit team members and the Executive Director and Deputy Executive Director on March 16, 2012.
- ◆ On June 22, 2012, the Committee reviewed the RIO financial audit plan for the fiscal year ended June 30, 2012 with CliftonLarsonAllen LLP. The discussion included the scope of the audit to ensure complete coverage of financial information.
- ◆ On May 22, 2012, the Committee delayed approved of the internal audit work plan of internal audit activities and functions for the fiscal year ending June 30, 2011 until the September 28, 2012 meeting. This was due to last minute changes.

The plan includes:

- ◆ School districts
- ◆ Review of deaths, long-outstanding checks, long term annuitants, purchases, & refunds
- ◆ TFFR file maintenance
- ◆ Executive limitations
- ◆ Compilation of a policy and procedure manual
- ◆ Special projects as needed

The above reported activities support the Committee's fulfillment of its oversight responsibilities.

**RETIREMENT AND INVESTMENT OFFICE (RIO)
INTERNAL AUDIT SERVICES UNIT WORK PLAN
FOR THE JULY 1, 2012 TO JUNE 30, 2013 FISCAL YEAR**

RETIREMENT PROGRAM:

- Test school district reporting to the Teachers' Fund for Retirement (TFFR) for members of the Fund.

Audit Frequency: On-going. Forty three audits completed annually.
Report: Filed with Executive Director, Deputy Executive Director, and school district upon completion. Filed with the SIB Audit Committee quarterly.

- Follow-up review of not-in compliance school district audits from prior years.

Audit Frequency: On-going. Two reviews to be completed.
Report: Not filed. Results made available to Deputy Executive Director and school district upon completion.

- Perform file maintenance audit to review changes made to TFFR member account data by RIO employees.

Audit Frequency: Quarterly
Report: Not filed. Results made available for external auditors' review.

- Review of established policy and procedures for deaths, long outstanding checks, long term annuitants, purchases of service, and refunds are being followed by the retirement services division.

Audit Frequency: Annually
Report: Not filed. Results made available to Deputy Executive Director and Retirement Services supervisor.

RIO ADMINISTRATION:

- Determine whether executive performance is in compliance with State Investment Board (SIB) *Executive Limitations* governance policy by testing goals and ends, and make all monitoring reports available to the SIB for use in the annual review of the Executive Director.

Audit Frequency: Annually.
Report: Filed with Executive Director and SIB Audit Committee 30 days following calendar year end.

POLICY AND PROCEDURE MANUAL:

- Compile information for the internal audit unit and include formally in a manual.

SPECIAL PROJECTS:

- Perform other projects at the request of the Executive Director or the SIB Audit Committee.

Audit Frequency: Upon request
Report: Filed with Executive Director and SIB Audit Committee
30 days following completion.

SIB AUDIT COMMITTEE ANNUAL PLANNING CALENDAR JULY 2012 - JUNE 2013

JULY 2012	AUGUST 2012	SEPTEMBER 28, 2012	OCTOBER 2012	NOVEMBER 16, 2012	DECEMBER 2012
<p>SIB Mtg. - 7/27/12</p> <ul style="list-style-type: none"> • SIB appoints Audit Committee 	<p>SIB Mtg. - 8/24/12</p>	<ul style="list-style-type: none"> • Election of Chair, Vice Chair and Liaison • Plan annual agenda and meeting dates. • Internal Audit Activities Report. • Audit Committee update memo to SIB <p>* Meeting at 1:00 p.m. Peace Garden Room</p> <p>TFFR Mtg. – 9/27/12 SIB Mtg. – 9/28/12</p>	<p>TFFR Mtg. - 10/25/12 SIB Mtg. - 10/26/12</p>	<ul style="list-style-type: none"> • Presentation of fiscal 2012 financial audit report by external auditors. • Session with external auditors. • Internal Audit Activities Report. <p>* Meeting at 1:00 p.m. Peace Garden Room</p> <p>SIB Mtg. - 11/16/12</p>	
JANUARY 2013	FEBRUARY 22, 2013	MARCH 2013	APRIL 2013	MAY 17, 2013	JUNE 2013
<p>TFFR Mtg. - 1/24/13 SIB Mtg. - 1/25/13</p>	<ul style="list-style-type: none"> • Internal Audit Activities Report. • Session with Internal Audit Unit • Session with RIO Management <p>* Meeting at 1:00 p.m. – Peace Garden Room</p> <p>TFFR Mtg. 2/21/13 SIB Mtg. - 2/22/13</p>	<p>TFFR Mtg. - 3/21/13 SIB Mtg. - 3/22/13</p>	<p>TFFR Mtg. - 4/25/13 SIB Mtg. - 4/26/13</p>	<ul style="list-style-type: none"> • Entrance conference with external auditors. • Internal Audit Activities Report. • Review and approval of fiscal 2014 audit plan. <p>* Meeting at 1:00 p.m. Peace Garden Room</p> <p>TFFR Mtg. - 5/16/13 SIB Mtg. - 5/17/13</p>	<p>SIB Mtg. - 6/28/13</p>