

MEMORANDUM

TO: STATE INVESTMENT BOARD AUDIT COMMITTEE MEMBERS
FROM: LES MASON, SUPERVISOR OF INTERNAL AUDIT
DATE: MAY 10, 2013
SUBJECT: MAY 17, 2013 SIB AUDIT COMMITTEE MEETING

For this quarterly meeting, we'll have representatives from our external audit firm, CliftonLarsonAllen to discuss the upcoming financial audit of RIO, and to answer any questions you may have.

Dottie and I will give you an update on our progress since our last meeting. In addition, both Dottie and I will present various other reports.

Our proposed work plan and budgeted hours is included for your review and approval.

A brief discussion concerning the SIB Audit Committee Charter will be held.

Meeting dates for the upcoming fiscal year are included as well.

The meeting is in the Capitol in the **Peace Garden Room at 1:00 PM.**

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
SIB AUDIT COMMITTEE MEETING
PEACE GARDEN ROOM, STATE CAPITOL BUILDING
FRIDAY, MAY 17, 2013, 1:00 P.M.**

AGENDA

1. **CALL TO ORDER AND APPROVAL OF AGENDA**
2. **APPROVAL OF FEBRUARY 22, 2013, MINUTES** (enclosed)
3. **PRESENTATION OF JULY 1, 2013 TO JUNE 30, 2014 FISCAL YEAR FINANCIAL AUDIT SCOPE AND APPROACH** - Representatives from CliftonLarsonAllen
4. **REPORT ON JULY 1, 2012 TO MAY 10, 2013 FISCAL YEAR INTERNAL AUDIT ACTIVITIES** - Mr. Mason and Ms. Thorsen (enclosed)
 - A. School district audit progress
 - B. Compliance audits
5. **CONSIDERATION OF PROPOSED JULY 1, 2013 TO JUNE 30, 2014 FISCAL YEAR INTERNAL AUDIT SERVICES UNIT WORK PLAN** - Mr. Mason (enclosed)
 - A. Proposed work plan
 - B. Budgeted hours for the fiscal year
 - C. Risk assessment/selection of school district audits
 - D. Follow-up reviews
6. **SIB AUDIT COMMITTEE CHARTER** - Mr. Mason
7. **MEETING DATES FOR JULY 1, 2013 - JUNE 30, 2014 FISCAL YEAR** (enclosed)
8. **OTHER**

Next SIB Audit Committee meeting - September 27, 2013, 1:00 p.m.
State Capitol, Peace Garden Room
9. **ADJOURNMENT**

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
FEBRUARY 22, 2013 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: Bonnie Heit, Office Manager
Fay Kopp, Interim Executive Director
Les Mason, Internal Audit Supervisor
Dottie Thorsen, Internal Audit

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 1:00 p.m., on Friday, February 22, 2013, at Workforce Safety & Insurance, 1600 E Century, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

The Audit Committee considered the February 22, 2013, agenda.

MS. TERNES MOVED AND MR. GESSNER SECONDED TO ACCEPT THE AGENDA FOR THE FEBRUARY 22, 2013, 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 November 16, 2012, meeting.

MR. SANDAL MOVED AND MS. TERNES SECONDED TO ACCEPT THE NOVEMBER 16, 2012, MINUTES AS WRITTEN.

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

NAYS: NONE

MOTION CARRIED

INTERNAL AUDIT ACTIVITIES:

Mr. Mason reviewed the Internal Audit Division's work activity for the period of November 14, 2012 - February 13, 2013.

School District Audit Reports - The objective is to complete 43 or more school district audits during FY2013. Currently, 12 audits have been completed, ten audits are in progress, and information on six or more school districts has been received.

TFFR File Maintenance - Ms. Thorsen reported she reviewed member file transactions for the months of October - February for FY2013. There were no exceptions noted.

Executive Limitations - Mr. Mason also tested executive performance to determine compliance with the State Investment Board's Executive Limitations policy for the period of June 1 - December 31, 2012. There were no exceptions noted.

MR. GESSNER MOVED AND MR. MERTZ SECONDED TO ACCEPT THE INTERNAL AUDIT DIVISION'S WORK ACTIVITY REPORT FOR THE PERIOD OF NOVEMBER 14, 2012 - FEBRUARY 13, 2013.

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

NAYS: NONE

MOTION CARRIED

CHARTER:

The Audit Committee reviewed a revised Charter which they previously reviewed and discussed at their November 16, 2012, meeting. After further changes by the Audit Committee, Mr. Mason is to also compare the charter to other entities charters and bring back other suggestions or changes for further consideration by the Audit Committee to the May 17, 2013, meeting.

REVIEW MEETINGS:

The Audit Committee's charter states the Audit Committee will meet periodically, out of the presence of management and the external auditors as appropriate, to receive updates on the Internal Audit Program and to address any concerns or any issues that staff would like to address. The Audit Committee also elected to meet separately with the Interim Executive Director.

The Audit Committee discussed with both parties the progress made on school district audits. The goal is to audit each school district within a five year period as outlined in the Internal Audit Division's work plan for July 1, 2012 - June 30, 2013. To achieve this goal, 43 school district audits will need to be completed for Fiscal Year 2013. The Audit Committee and staff have identified this area as an area of risk which the Internal Audit Division has been focusing their time on. The Audit Committee discussed their concerns on achieving this goal with both parties and determined that changes will need to be made in order to accomplish the goals of the work plan. Ms. Dorwart will follow-up with staff and report back to the Audit Committee at their May 17, 2013, meeting.

OTHER:

The next Audit Committee meeting is scheduled for May 17, 2013, 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 2:55 p.m.

Respectfully Submitted:

Ms. Rebecca Dorwart, Chair
SIB Audit Committee

Bonnie Heit
Assistant to the Audit Committee

North Dakota Retirement & Investment Office

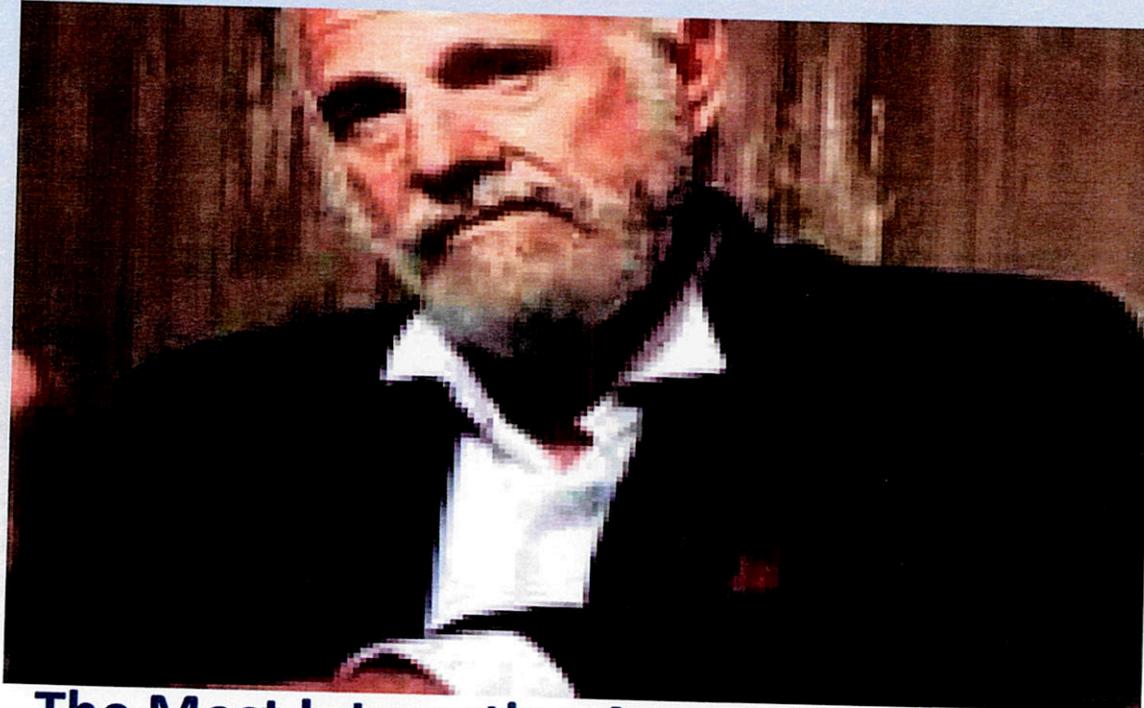
2013 Audit Kick-off

ND State Investment Board

Audit Committee

Thomas Rey, Partner

May 17, 2013



The Most Interesting Accountant in the World

*“His personality is so magnetic, he is
unable to carry credit cards.”*

Engagement Scope

- Audit of the RIO's CAFR as of June 30, 2013.
- Report on Internal Controls and Compliance (in accordance with Government Auditing Standards).
- Written Communications with the Board

Work Plan

- Audit to be conducted in accordance with governmental auditing standards generally accepted in the United States of America
- Phased Approach – Planning, Internal Control, Substantive and Reporting

Critical Audit Areas

- Investments and Investment Income (loss)
- Confirmations of investment account balances
- Testing
 - Reconciliation procedures, predictive tests, analytical procedures on earnings/(losses)
 - Reviews of all applicable SSAE 16 reports

Critical Audit Areas

- Contributions/Participant Testing including Contributions Receivable
- Walkthroughs of system controls
- Test of controls of employee contributions
- Participant data testing
- Reconciliation of detail activity to the trial balance

Critical Audit Areas

- Distributions including Benefits Payable
- Walkthroughs of system controls
- Tests of controls
- Corresponding reconciliation of detail activity to the trial balance

Timing of Work

KEY MILESTONES	DATE
Planning	May 2013
Understanding and Testing of Internal Controls	May 2013
Substantive Procedures	August/September 2013
Final Audit Reports	September/October 2013

Upcoming Issues

- Clarity Audit Standards
- New GASB Statements
 - Statement No. 67: *Financial Reporting for Pension Plans*
 - Statement No. 68: *Accounting and Financial Reporting for Pensions*

GASB Pension Standards

Standard #	Title	Effective Date
GASB 67	Financial Reporting for Pension Plans	Fiscal Years beginning after June 15, 2013
GASB 68	Accounting and Financial Reporting for Pensions	Fiscal Years beginning after June 15, 2014

Summary of Employer Provisions

- **The following amounts will be required to be determined related to a defined-benefit pension plan as of a date (measurement date) no earlier than the end of the employer's prior fiscal year:**
 - Net pension liability (asset)
 - Pension expense
 - Pension deferred outflows of resources and deferred inflows of resources
- **Employers participating in single-employer or agent multiple-employer plans will recognize 100 percent of the above amounts for each plan**
- **Employers participating in cost-sharing, multiple-employer plans will recognize their proportionate share of the collective amounts for the plan as a whole**

Summary of Employer Provisions (continued)

- **Net pension liability represents total pension liability less the fiduciary net position of the pension plan**
- **Changes in net pension liability will be immediately recognized as pension expense or reported as deferred outflows/inflows of resources depending on nature of change**
- **Approach results in reporting of pension liability and expense as employees earn their pension benefits by providing services instead of being based on funding requirements**
- **No significant changes to accounting for pensions in governmental funds**

Summary of Employer Provisions (continued)

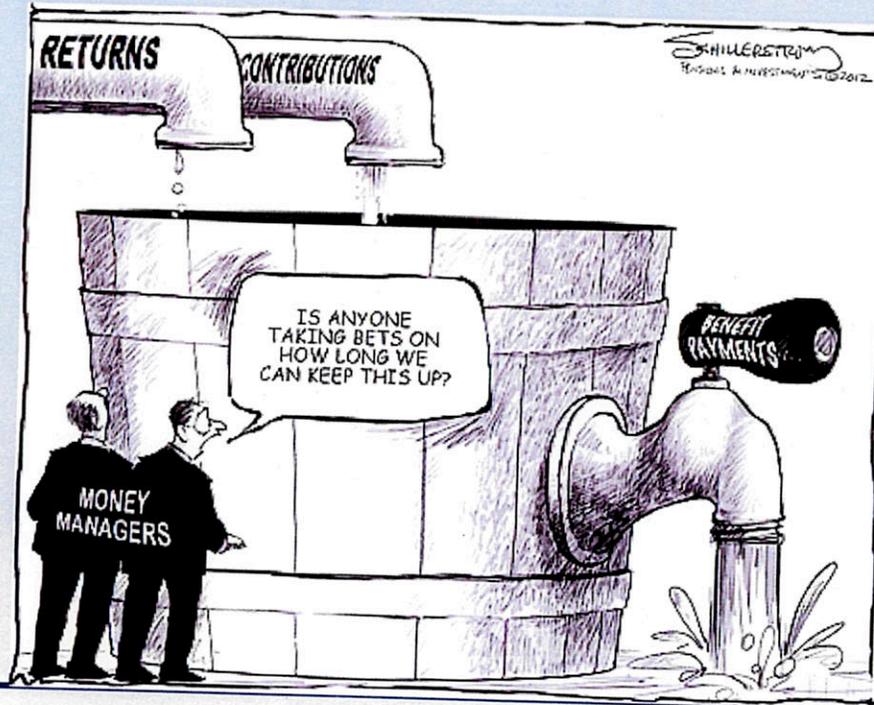
- **Substantial changes to methods and assumptions used to determine actuarial information for GAAP reporting purposes:**
 - Entry Age Normal is the only allowable actuarial cost method
 - Projected benefit payments should include effects of ad-hoc COLAs considered substantially automatic
 - A single blended rate should be used to discount projected future benefit payments, based on:
 - The long-term expected rate of return on plan investments (net of investment expenses) that are expected to be used to finance the payment of pension benefits to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested, using a strategy to achieve that return; and
 - A yield or index rate for 20-year, tax-exempt general obligation (municipal) bonds with average rating of AA or higher, to the extent that the conditions above are not met
 - The actuarial methods and assumptions allowable under current standards may continue to be used to determine funding amounts
- **Note disclosures and required supplementary information related to pensions are expanded**

Summary of Plan Provisions

- **Recognition, measurement and presentation of financial statement amounts generally similar to current guidance**
- **Note disclosures and required supplementary information:**
 - Similar to nature of disclosures for employers with the addition of information on investment policies and actual rates of return on plan assets
 - Certain information only required for single-employer and cost-sharing plans
 - No actuarial-related disclosures for agent multiple-employer plans
- **Requirements regarding the measurement of net pension liability (asset) are similar to the requirements for employers:**
 - Net pension liability (asset) not recognized by pension plans

Components of Pension Expense (PE)

- Difference between expected and actual experience
 - Deferred inflow or outflow to be recognized in systematic and rational manner over closed period that is representative of expected remaining service lives of **active** employees. Inactive (including retired) employees, recognized in period of change.
- Benefits paid - Represent amount liquidated in current period to satisfy retirement obligations (Reduction of both TPL and PNP)



RATING AGENCY PERSPECTIVE

Rating Agency Perspective

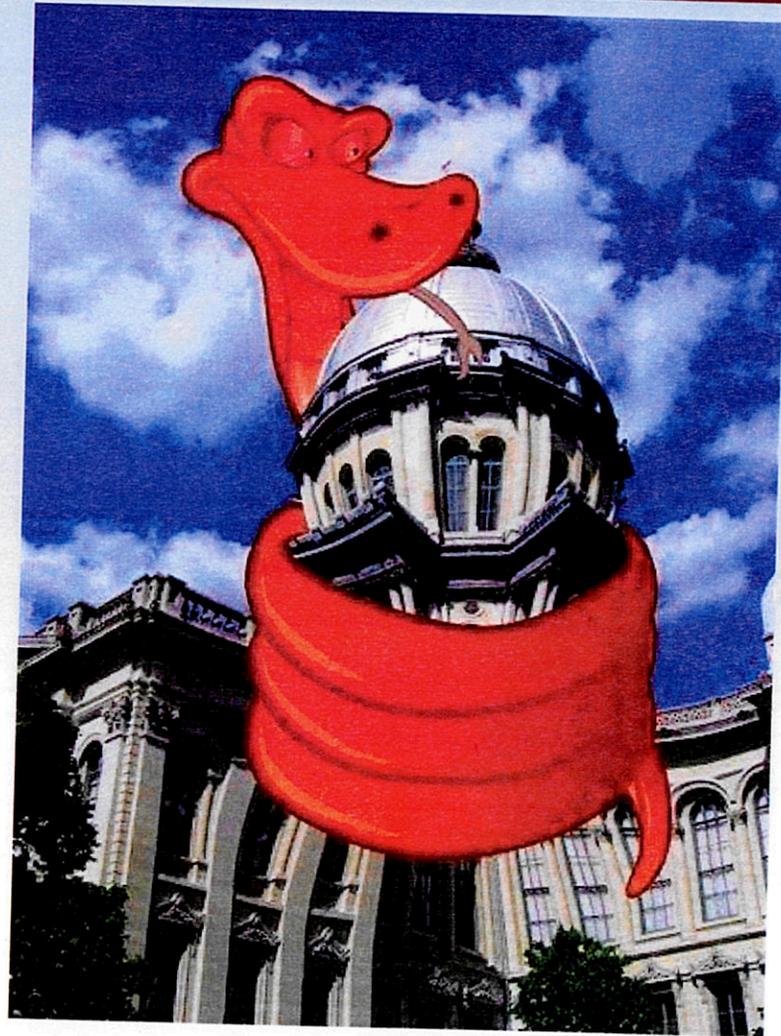
- Supportive of this GASB 67/68
- Provides more information and transparency
- Limited immediate impact on ratings
- Want to see a long-term plan
- Follow Moody's proposal

Moody's Proposal

- Allocate underfunded actuarial liability in cost sharing plans based on ratable share of required contributions
- Accrued Actuarial Liability based on high grade long term corporate bond index (5.5% for 2011)
- No more smoothing – fair value of actuarial investments as of reporting date
- Annual pension contributions for **states (not local governments)** will be adjusted to reflect bond rates and 17-year level amount amortization

Moody's in Perspective

- The proposed adjustments nearly triple reported unfunded actuarial accrued liability to \$2.2 trillion from \$766 billion
- It's only money – will it impact bond ratings??
 - Moody's says not for States, maybe for some local governments
- This is about bond ratings and not funding or accounting



Impact on Bond Ratings

- State – Negligible Impact
 - Most ratings already have this factored in as liability is much more transparent already at state level
- Local – State of Flux
 - Want to see number
 - Need to have a plan
 - Everyone is in the same boat

Still Looking for Answers

- The GASB Implementation Guide which will include Plan guidance is due out in the 2nd Quarter of 2013 (June??) and for Employer guidance the 1st Quarter of 2014
- What will happen about the blended rate?
- How best to communicate the employer proportionate share? What should be included?
- How are auditors going to deal with the lag in reporting the liability?
- How are bond raters going to interpret the liability?
- Who will keep track of the amortization schedules for the employers?
- How to account for differences between the information provided in the Plan CAFR and the latest actuarial valuation.
 - Which information will the employers select for their financial statements?

**RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT SERVICES UNIT
AUDIT ACTIVITIES REPORT
FOR PERIOD JULY 1, 2012 THROUGH MAY 10, 2013
THIRD AND PARTIAL FOURTH QUARTER**

MAY 10, 2013

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, which was reviewed by RIO management and the SIB Audit Committee. 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 ten months and six days, 31 audits were completed. Currently, 11 audits are in progress, information on 4 more school districts has been received; and 7 additional school districts have been notified of a request for information. 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.

In addition, 4 school districts audited in prior years that were not in compliance were scheduled to be reviewed. Two district reviews have been completed, information on another has been requested and one review is in progress.

• **TFFR File Maintenance**

Quarterly, we 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.

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 outlined in our Fiscal 2013 Work Plan.

	Auditor	School District	on-site audit	Info Request	Info Received	Audit Started	Report Date	Status	Members	days b/w info request and received	days b/w info received and report	days b/w info received & start date	days b/w start and report	
	LM	Bismarck		12/12/2011	12/21/2011	8/4/2012	9/11/2012	Done	1054	8	265	227	38	In Compliance
100%	LM	Fort Yates	x	1/7/2011	7/15/2011	8/1/2011	1/16/2013	Done	88	189	551	17	534	Not In Compliance
	LM	Killdeer		2/28/2012	3/21/2012	8/23/2012	9/18/2012	Done	45	22	181	155	26	In Compliance
100%	DT	Kindred		12/13/2011	12/28/2011	4/19/2012	2/27/2013	Done	52	15	427	113	314	Not In Compliance
	DT	McClusky		2/28/2012	3/21/2012	5/18/2012	7/30/2012	Done	22	22	131	58	73	Not In Compliance
100%	LM	Minnewauken		5/24/2012	6/28/2012	10/5/2012	3/12/2013	Done	33	35	257	99	158	Not In Compliance
	DT	Mott-Regent		5/24/2012	6/8/2012	7/19/2012	11/6/2012	Done	31	15	151	41	110	In Compliance
	DT	Napoleon		5/24/2012	6/20/2012	7/25/2012	11/9/2012	Done	29	27	142	35	107	In Compliance
	LM	Newburg		5/24/2012	6/21/2012	8/30/2012	9/13/2012	Done	19	28	84	70	14	In Compliance
	DT	New England		5/24/2012	6/8/2012	6/20/2012	7/17/2012	Done	21	15	39	12	27	In Compliance
100%	DT	Powers Lake		12/3/2011	12/21/2011	5/30/2012	1/3/2013	Done	23	18	379	161	218	Not In Compliance
	LM	Ashley		11/15/2012	12/17/2012	2/12/2013	2/21/2013	Done	19	32	66	57	9	In Compliance
	DT	Beach		11/15/2012	12/3/2012	3/12/2013	3/25/2013	Done	40	18	112	99	13	In Compliance
	LM	Belcourt		11/15/2012	11/29/2012	2/5/2013	3/6/2013	Done	150	14	97	68	29	In Compliance
	LM	Drake		11/15/2012	12/24/2012	3/13/2013	3/25/2013	Done	13	39	91	79	12	In Compliance
100%	LM	Dunseith	x	11/15/2012	12/17/2012	2/28/2013	4/30/2013	Done	56	32	134	73	61	Not In Compliance
	LM	Enderlin		11/15/2012	12/17/2012	3/12/2013	3/21/2013	Done	36	32	94	85	9	In Compliance
	DT	North Star		7/17/2012	8/6/2012	11/2/2012	1/16/2013	Done	31	20	163	88	75	In Compliance
	DT	Northwood		7/17/2012	8/6/2012	10/25/2012	12/13/2012	Done	28	20	129	80	49	In Compliance
	DT	Park River		7/17/2012	8/13/2012	1/8/2013	3/12/2013	Done	48	27	211	148	63	In Compliance
	LM	Rolette		7/17/2012	9/5/2012	1/22/2013	2/21/2013	Done	23	50	169	139	30	Generally In Compliance
	DT	Souris Valley Special Ed		11/15/2012	11/23/2012	1/26/2013	2/20/2013	Done	28	8	89	64	25	In Compliance
	LM	Stanley		11/15/2012	11/30/2012	2/1/2013	2/25/2013	Done	56	15	87	63	24	In Compliance
	DT	Strasburg		11/15/2012	12/14/2012	2/25/2013	3/8/2013	Done	20	29	84	73	11	In Compliance
	DT	Thompson		11/15/2012	12/17/2012	2/27/2013	4/5/2013	Done	37	32	109	72	37	In Compliance
	LM	Underwood		11/15/2012	11/27/2012	2/4/2013	2/7/2013	Done	29	12	72	69	3	In Compliance
	LM	Center-Stanton		2/20/2013	3/20/2013	3/22/2013	4/4/2013	Done	26	28	15	2	13	In Compliance
	LM	Fessenden-Bowdon		2/20/2013	3/19/2013	3/21/2013	4/4/2013	Done	19	27	16	2	14	In Compliance
	LM	Hankinson		2/20/2013	3/21/2013	4/12/2013	4/24/2013	Done	31	29	34	22	12	In Compliance
	LM	North Sargent		3/15/2013	4/1/2013	4/19/2013	4/29/2013	Done	25	17	28	18	10	In Compliance
	LM	Rural Cass Spec Ed		3/15/2013	4/1/2013	4/18/2013	5/1/2013	Done	20	17	30	17	13	In Compliance
	DT	Wahpeton		11/15/2012	11/23/2012	1/15/2013		In Progress	112	8		53		
	DT	Hazen		2/20/2013	3/12/2013	3/15/2013		In Progress	50	20		3		
	DT	Kenmare		2/20/2013	3/11/2013	3/25/2013		In Progress	32	19		14		
	DT	Jamestown		3/15/2013	4/4/2013	4/12/2013		In Progress	225	20		8		
	LM	Mt. Pleasant		3/15/2013	4/18/2013	4/22/2013		In Progress	33	34		4		
	DT	New Salem-Almont		3/15/2013	4/12/2013	4/24/2013		In Progress	31	28		12		
	DT	New Town		7/17/2012	8/16/2012	1/10/2013		In Progress	76	30		147		
	LM	Northern Cass		3/15/2013	4/8/2013	5/6/2013		In Progress	48	24		28		
	LM	Sawyer		3/15/2013	4/11/2013	5/1/2013		In Progress	21	27		20		
	DT	Richland (Colfax)		3/15/2013	4/1/2013	5/7/2013		In Progress	34	17		36		
	LM	Mapleton Elementary		4/16/2013	4/30/2013	5/8/2013		In Progress	11	14		8		
	DT	Oakes		3/15/2013	4/1/2013				38	17				
	DT	Sheyenne Valley Sp Ed		3/15/2013	4/16/2013				27	32				
	LM	New Rockford Sheyenne		4/16/2013					34					
	LM	St. Thomas		4/16/2013					15					
	DT	Surrey		4/16/2013	4/25/2013				38	9				

Auditor	School District	on-site audit	Info Request	Info Received	Audit Started	Report Date	Status	Members	days b/w info request and received	days b/w info received and report	days b/w info received & start date	days b/w start and report
DT	TGU School District		4/16/2013					43				
DT	Turtle Lake - Mercer		4/16/2013					53				
DT	Upper Valley Spec Ed		4/16/2013	5/2/2013				46	16			
LM	Westhope		4/16/2013					21				
DT	Wishek		4/16/2013					22				
LM	Wyndmere		4/16/2013					29				
Average								60	26	143	63	69

Assigned	Total Audit Days	Average Audit Days	Audits Completed
27 DT	1,122	86.3	13
26 LM	1,009	56.1	18
			31

NOT IN COMPLIANCE FOLLOW-UP REVIEWS

- DT Velva completed, no exceptions
- DT Solen- Cannon Ball - req. info
- LM Eight Mile - completed, no exceptions
- LM Halliday - reviewing info

- Audits currently in progress(shaded in above table)
- DT Hazen - complete, add'l infor requested by Shelly
 - DT Kenmare - reviewing information
 - DT New Town - reviewed, will go to Employer Services 5/8 or 5/9
 - DT Jamestown - requested add'l info
 - DT Wahpeton - complete, but waiting on District and guidance from Shelly & Fay
 - DT New Salem Almont - requested add'l info
 - LM Mt. Pleasant - Employer Services has for corrections.
 - LM Sawyer - reviewing information
 - LM Northern Cass - reviewing information
 - DT Richland - reviewing information
 - LM Mapleton - reviewing information

MEMORANDUM

FROM: Dottie C. Thorsen, Internal Auditor

TO: Fay Kopp, Interim Executive Director
Shelly Schumacher, Retirement Program Manager

DATE: May 3, 2013

SUBJECT: TFFR File Maintenance Audit
Third Quarter (2012/13)
(January, February, and March)

Conclusion: No exceptions noted

These are the audit procedures for the quarterly audit.

- 1) I ran and reviewed the table reports for all sixteen RIO staff members. Seven staff members appropriately did not have transactions on the table report. I reviewed the transactions found on the other nine staff member's table reports.
- 2) I reviewed all the transactions on the Data Processing Coordinator's table report. All entries were appropriate and had documentation.
- 3) During my review of the table reports, I did not see any unusual transactions that needed additional testing.
- 4) I compared the information on seven member action forms with the information posted on CPAS.
- 5) I reviewed three member accounts where contributions were refunded. One member from each of the reports dated Feb. 1, 2012, Mar. 1, 2012, and Apr. 1, 2013. The appropriate documents were found on CPAS and image. The amount refunded to the members was the same as the calculation on CPAS.
- 6) I reviewed documents for three members who had made purchases of service credit or made payments to installment purchases during the quarter.

Page 2
RECOMMENDATION

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
RURAL CASS SPECIAL EDUCATION UNIT
MAY 1, 2013**

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 employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

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

SCOPE

The TFFR compliance audit is designed to test the accuracy of retirement salaries reported by Rural Cass Special Education Unit (District) to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The District's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, individual teacher contracts, and payroll records are used in the examination.

TFFR reviewed the accounts for selected members' salaries reported by the District for the 2010-11 and 2011-12 school years. We calculated the member and employer contributions due to TFFR based on the payroll information provided by the District. The results are then compared to the amounts actually reported to TFFR by the District for the years being audited.

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.

FINDING

It is our opinion that retirement salaries reported by Rural Cass Special Education Unit for the fiscal years 2010-11 and 2011-12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9) except for the following item:

- The District reported an annuity as TFFR eligible salary for one member for the 2008-09, 2009-10, 2010-11, and 2011-12 school years.

RECOMMENDATION

- This was an isolated error for one member, found by the business manager and brought to TFFR's attention. TFFR recommends that the District use care in reporting eligible salary.

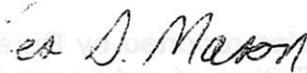
RECOMMENDATION, cont.

The website address for the Employer Guide is:
<http://www.nd.gov/rio/TFFR/Publications/EmployerGuide-intro.htm>

The amount overpaid for the finding is \$2,627.85. 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 error in future reporting to TFFR. **The written response needs to be returned to the Retirement and Investment Office by June 7, 2013.**

Any 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 TFFR of their intent to retire.



Les Mason
Supervisor of Internal Audit

bh
Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
DUNSEITH SCHOOL
APRIL 30, 2013**

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 has been established within RIO to carry out this responsibility. Independent reports are filed with the Interim Director-Retirement Officer of RIO upon completion, and the Audit Committee of the State Investment Board (SIB) quarterly.

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 Dunseith School (District) for the 2010-11 through 2011/12 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.

Because the Primary Test disclosed reporting procedures used by the District that would affect a large portion of the population for fiscal years 2010/11 through 2011/12, the Primary Test was expanded to include 100 percent of the members. 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. The members' accounts were reviewed for the audit period as well as for the 2009-10 school year.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Dunseith School District for the fiscal years 2009/10 through 2011/12 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 did not report summer training/workshops for any members.
2. The District reported summer school in the wrong fiscal year for one member.
3. The District did not report summer stipends for any members.
4. The District reported signing bonuses for several members.
5. The District did not report tutoring (credit recovery) for several members.
6. The District did not report summer school/programs for several members.
7. The District did not issue written agreements for part-time and summer school members.

RECOMMENDATIONS AND CORRECTIVE ACTION

Findings 1, 3, 4, 5, & 6:

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in determining which salary is eligible (Reporting Section). The website address is www.nd.gov/rio/TFFR/Publications. TFFR will notify the affected members of the changes to their accounts.

Finding 2:

TFFR requires that salary be reported in the year it was earned, not when it was paid. TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in determining when salary is reportable to TFFR (Reporting Section). The website address is www.nd.gov/rio/TFFR/Publications.

Finding 7:

The District did not issue written agreements for summer school and part-time teachers who worked in the school programs. TFFR requires that the District issue some form of written agreement to district and out-of-district teachers for all summer salary. 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 net amount due, plus interest for Findings 1 through 6 is \$35,690.59. The invoice for the amount due 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 after-school and summer programs in future reporting to TFFR. **The written response needs to be returned to the Retirement and Investment Office by May 31, 2013.**

Due to the District being determined to be not in compliance, a follow-up review of a sample of members will be conducted.

Determinations for the findings were based on review of documentation and assistance from the Business Manager. 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

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**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
NORTH SARGENT PUBLIC SCHOOL DISTRICT
APRIL 29, 2013**

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 employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

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

SCOPE

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

TFFR reviewed the accounts for selected members' salaries reported by the District for the 2010-11 and 2011-12 school years. We calculated the member and employer contributions due to TFFR based on the payroll information provided by the District. The results are then compared to the amounts actually reported to TFFR by the District for the years being audited.

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.

FINDING

It is our opinion that retirement salaries reported by North Sargent Public School for the fiscal years 2010-11 and 2011-12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9) except for the following item:

- The District over-reported service credit hours for one member.

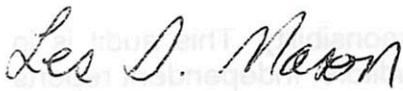
RECOMMENDATION

- This was an isolated error for one member. TFFR recommends that the District use care in reporting member hours worked. TFFR will notify the member of the change in her account.

Any 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.

The website address for the Employer Guide is:
<http://www.nd.gov/rio/TFFR/Publications/EmployerGuide-intro.htm>

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



Les Mason
Supervisor of Internal Audit

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**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
HANKINSON SCHOOL DISTRICT
APRIL 24, 2013**

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 employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

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

SCOPE

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

TFFR reviewed the accounts for selected members' salaries reported by the Hankinson School District for the 2010-11 and 2011-12 school years. We calculated the member and employer contributions due to TFFR based on the payroll information provided by the District. The results are then compared to the amounts actually reported to TFFR by the District for the years being audited.

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.

FINDING

It is our opinion that retirement salaries reported by the Hankinson School District for the fiscal years 2010-11 and 2011-12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9) except for the following item:

- The District reported a cell phone stipend as TFFR eligible salary for the 2009-10, 2010-11, and 2011-12 school years.

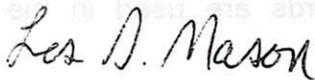
RECOMMENDATION

- This was an isolated error for one member, discontinued beginning with the 2012-13 fiscal year. This has been discussed with the business manager. TFFR recommends that the District use care in reporting eligible salary. TFFR will refund \$539.50 in total contributions. It is the District's responsibility to refund to the member his share of the contributions.

The website address for the Employer Guide is:
<http://www.nd.gov/rio/TFFR/Publications/EmployerGuide-intro.htm>

Any 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 TFFR of their intent to retire.



Les Mason
Supervisor of Internal Audit

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FINDING

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
THOMPSON SCHOOL DISTRICT
APRIL 5, 2013**

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 Interim Director-Retirement Officer of RIO upon completion, and the Audit Committee of the State Investment Board (SIB) quarterly.

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 2010/11 through 2011/12 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 2010/11 through 2011/12. 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 Thompson School District for the fiscal years 2010/11 through 2011/12 were 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 the incorrect retirement salary for a member.
2. The District reported ineligible ticket-taking to TFFR.
3. The District did not issue written agreements for summer salary.
4. In fiscal year 2013/14, the \$250.00 returning bonus offered to the teachers will no longer be reportable to TFFR.

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:

The District reported the incorrect retirement salary for one retired member. The member received a cash option for medical insurance once received. The District did call RIO about the amount of the salary that should be reported. During the discussion, there was a misunderstanding and the wrong amount was still reported to TFFR. RIO will make an adjustment to the account. The error caused a shortage in employer contributions (See Primary Test and Worksheet for Changes in Salaries and Contributions).

Finding 2:

The District reported ineligible ticket-taking for fourteen members. Since the amount of the ticket-taking salary reported for each member was immaterial, RIO will not adjust the accounts (See Primary Test).

Finding 3:

The District stated that they do not issue written agreements for summer school. 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.

Finding 4:

The District offered and reported a \$250.00 bonus to certified teachers returning to work on the first day of school. Due to legislative changes that went into effect 8/1/2011, this bonus is no longer reportable to TFFR as retirement salary. Starting fiscal year 2013/14 when the new negotiated Master Agreement goes into effect, the District can no longer report the bonus to TFFR as retirement salary. It was reportable during the audit period because the 2011/12-2012/13 Master Agreement was signed May 17, 2011 which was before the new law went into effect. Please refer to page 4 and 9 of the Employer Guide (web address noted above).

The amount for the shortage in employer contributions due for Finding 1 is \$329.26 (Schedule 2). The bill for the contributions due will be sent to the Business Manager. Please provide a written response on the District's intent to correct the above errors in future reporting to TFFR. **The shortage in employer contributions and the written response needs to be returned to the Retirement and Investment Office by May 9, 2013.**

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
CENTER STANTON SCHOOL
APRIL 4, 2013**

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 has been established within RIO to carry out this responsibility. This 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 Center Stanton School (District) for the 2010-11 through 2011-12 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 2010-11 through 2011-12. 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.

FINDING -None

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Center Stanton School for the fiscal years 2010-11 through 2011-12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9).

If there had been any findings and recommendations in this compliance audit, they would have been 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 D. Mason

Les Mason
Supervisor of Internal Audit

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Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
FESSENDEN-BOWDON SCHOOL
APRIL 4, 2013**

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 has been established within RIO to carry out this responsibility. This 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 Fessenden-Bowdon School (District) for the 2010-11 through 2011-12 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 2010-11 through 2011-12. Therefore, the Primary Test was not expanded to include 100 percent of the members.

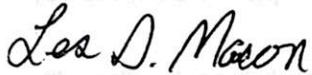
However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

FINDING -None

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Fessenden-Bowdon School for the fiscal years 2010-11 through 2011-12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9).

If there had been any findings and recommendations in this compliance audit, they would have been 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

bh
Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
BEACH SCHOOL DISTRICT
MARCH 25, 2013**

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 Interim Director-Retirement Officer of RIO upon completion, and the Audit Committee of the State Investment Board (SIB) quarterly.

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 2010/11 through 2011/12 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 2010/11 through 2011/12. 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.

FINDING

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Beach School District for the fiscal years 2010/11 through 2011/12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following error was noted:

The District did not issue written agreements for summer salary.

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.

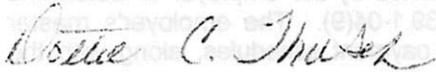
Finding:

The District stated that they do not issue written agreements for summer school. 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.

Please provide a written response on the District's intent to correct the above error in future reporting to TFFR. **The written response needs to be returned to the Retirement and Investment Office by April 30, 2013.**

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
DRAKE SCHOOL
MARCH 25, 2013**

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 has been established within RIO to carry out this responsibility. This is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the Interim 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 Drake School (District) for the 2010-11 through 2011-12 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 2010-11 through 2011-12. 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.

FINDING

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Drake School for the fiscal years 2010-11 through 2011-12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9) except for the following item.

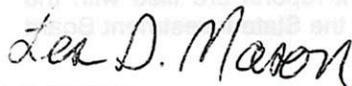
- The District did not report subbing for one member.

RECOMMENDATION

- This was an isolated incident and an immaterial amount. No correction will be made to the member's account. TFFR recommends the District use care in reporting eligible salary.

Any findings and recommendations in this compliance audit 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

bh
Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
ENDERLIN AREA SCHOOL
MARCH 21, 2013**

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 has been established within RIO to carry out this responsibility. This is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the Interim 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 Enderlin Area School (District) for the 2010-11 through 2011-12 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 2010-11 through 2011-12. 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.

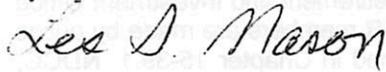
FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Enderlin Area School for the fiscal years 2010-11 through 2011-12 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.



Les Mason
Supervisor of Internal Audit

bh
Enclosures

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 NDCG 15-52-1-04(9). The employer's master contract, employer payment plan, salary schedule, extracurricular payment schedules, along with the individual teacher contracts, are used in this examination.

A representative sample of TFFR accounts was selected from members of the Eastern Area School District for the 2010-11 through 2011-12 school years. For each school year under audit, member accounts were selected from the last Employer 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 year being audited. See Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a sample of the population for fiscal years 2011-12. 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 this audit, the retirement salaries reported by the Eastern Area School District for the fiscal years 2010-11 through 2011-12 were in compliance with the definition of salary as it appears in NDCG 15-52-1-04(9).

TFFR was in compliance.

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
MINNEWAUKAN SCHOOL
MARCH 12, 2013**

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 has been established within RIO to carry out this responsibility. Independent reports are filed with the Interim Director-Retirement Officer of RIO upon completion, and the Audit Committee of the State Investment Board (SIB) quarterly.

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 Minnewaukan 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.

Because the Primary Test disclosed reporting procedures used by the District that would affect a large portion of the population for fiscal years 2009/10 through 2010/11, the Primary Test was expanded to include 100 percent of the members. 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. The members' accounts were reviewed for the audit period as well as for the 2011-12 school year.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Minnewaukan School District for the fiscal years 2009/10 through 2011/12 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 unused sick leave for several members.
2. The District under-reported contract salary and extra-curricular wages for several members.
3. The District did not report summer school salary for two members.
4. The District reported bus driving salary for two members.
5. The District did not report subbing for one member.
6. The District reported a retirement bonus for one member.
7. The District reported salary net of insurance premiums for two members.

FINDINGS, continued

- 8. The District reported a signing bonus for two members.
- 9. The District reported para-professional salary for several members.
- 10. The District reported cleaning/janitorial work for two members.
- 11. The District reported summer school in the wrong fiscal year for one member.
- 12. The District did not issue contracts for out-of-district teachers and part-time teachers.

RECOMMENDATIONS AND CORRECTIVE ACTION

Findings 1, 2, 3, 4, 5, 6, 7, 8, 9, & 10:

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in determining which salary is eligible (Reporting Section). The website address is www.nd.gov/rio/TFFR/Publications. TFFR will notify the affected members of the changes to their accounts.

Finding 11:

TFFR requires that salary be reported in the year it was earned, not when it was paid. TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in determining when salary is reportable to TFFR (Reporting Section). The website address is www.nd.gov/rio/TFFR/Publications.

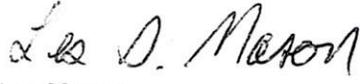
Finding 12:

The District did not issue written agreements for out-of district and part-time teachers who worked in the school programs. TFFR requires that the District 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 after-school 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 net amount due, plus interest for Findings 1 through 11 is \$8,018.22. The invoice for the amount due 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 after-school programs, in future reporting to TFFR. **The written response needs to be returned to the Retirement and Investment Office by April 12, 2013.**

Determinations for the findings were based on review of available documentation and assistance from the Business Manager. 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

bh
Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
PARK RIVER SCHOOL DISTRICT
MARCH 12, 2013**

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 Interim Executive Director-Retirement Officer of RIO upon completion, and the Audit Committee of the State Investment Board (SIB) quarterly.

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.

FINDING

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Park River 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). The following error was noted.

The District did not issue written agreements to teachers for salary reported to TFFR.

RECOMMENDATION AND CORRECTIVE ACTION

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary. The website address is www.nd.gov/rio/TFFR/Publications.

Finding:

In order to report salary to TFFR, a member must be licensed by the Education Standards and Practices Board and have some form of written agreement with the District. The District did not provide written agreements for basketball, driver's education/behind the wheel, football, FFA, advisor, subbing, summer school and track salary. To ensure proper documentation for all TFFR reportable members, the District should issue some form of written agreement to district and out-of-district teachers for summer programs. If the district does not issue a written agreement to out-of-district teachers, the summer salary and extra-curricular 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. No correction will be made to these ten members' accounts for the audit period. However, for future reporting, the District will have to issue some form of written agreement to report the salary to TFFR.

Please provide a written response on the District's intent to correct the above error in future reporting to TFFR. **The written response needs to be returned to the Retirement and Investment Office by April 10, 2013.**

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
STRASBURG SCHOOL DISTRICT
MARCH 8, 2013**

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 Interim Executive Director-Retirement Officer of RIO upon completion, and the Audit Committee of the State Investment Board (SIB) quarterly.

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 2010/11 through 2011/12 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 2010/11 through 2011/12. 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 Strasburg School District for the fiscal years 2010/11 through 2011/12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following error was noted.

The District reported service hours incorrectly for three part-time members.

RECOMMENDATION AND CORRECTIVE ACTION

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

Finding:

The service hours were reported incorrectly for three part-time members. The formula for calculating service hours is the number of days worked times the number of hours worked per day. We will only correct one member's account and notify her that adjustments have been made. The other two members' accounts will not be corrected because they have closed their accounts with TFFR.

Please provide a written response on the District's intent to correct the above error in future reporting to TFFR. **The written response needs to be returned to the Retirement and Investment Office by April 5, 2013.**

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

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Enclosures

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**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
BELCOURT SCHOOL
MARCH 5, 2013**

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 employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

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

SCOPE

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

TFFR reviewed the accounts for selected members' salaries reported by the District for the 2010-11 and 2011-12 school years. We calculated the member and employer contributions due to TFFR based on the payroll information provided by the District. The results are then compared to the amounts actually reported to TFFR by the District for the years being audited.

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

It is our opinion that retirement salaries reported by the Belcourt School for the fiscal years 2010-11 and 2011-12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9) except for the following items:

1. The District incorrectly reported service hours for eight members.
2. The District did not issue written agreements for summer school teachers.
3. The District reported salary in the wrong fiscal year for one member.

RECOMMENDATIONS

1. TFFR recommends that the District use care in reporting service hours. For assistance in determining how to calculate service hours, refer to the TFFR Employer Guide, and/or the Administrative Office.
2. TFFR recommends that written agreements be issued to summer school teachers. A written agreement is defined as: "A teaching contract, school board minutes, or other official document evidencing a contractual relationship between a teacher and participating employer."
3. TFFR requires that the District report salary in the year it was earned. For assistance in determining when to report salary, refer to the TFFR Employer Guide, and/or the Administrative Office. **NOTE:** Although the member's account will be corrected, no refund will be made to the District because the amount is immaterial.

The website address for the Employer Guide is:
<http://www.nd.gov/rio/TFFR/Publications/EmployerGuide-intro.htm>

Please provide a written response on the District's intent to correct the above errors, including issuing written agreements for summer school programs, in future reporting to TFFR. **The written response needs to be returned to the Retirement and Investment Office by April 5, 2013.**

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 TFFR of their intent to retire.



Les Mason
Supervisor of Internal Audit

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Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
KINDRED SCHOOL DISTRICT
FEBRUARY 27, 2013**

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 Interim Executive Director-Retirement Officer of RIO upon completion, and the Audit Committee of the State Investment Board (SIB) quarterly.

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 disclosed computer programming procedures 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 expanded to include one hundred percent of the members in the District for 2009/10, 2010/11, and 2011/12.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Kindred 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 had software programming issues that resulted in shortages/overpayments of salary reported to TFFR for the audit period.
2. The District reported salary in the wrong fiscal year for two members.
3. The District did not issue written agreements for summer salary.

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:

The District's accounting software had programming issues. The software was not calculating retirement salary for TFFR correctly due to deductions from salaries. The error affected thirty-nine members' retirement salaries for the audit period. RIO will correct the salaries for thirty of the members' and notify them about the salary corrections (see Primary Test and Worksheet for correcting Accounts). Nine members' accounts will not be corrected because the salary amounts were immaterial.

Finding 2:

Salary was reported in the wrong fiscal year for two 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 one member about the salary correction (see Primary Test and Worksheet for correcting Accounts). One member's account will not be corrected because the amount of the salary was immaterial.

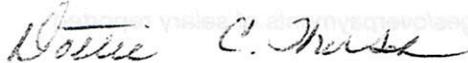
Finding 3:

The District did not provide a written agreement for an out-of-district Driver's Education teacher and district teachers. For the out-of-district driver's education salary, the District stated that they have not issued an agreement because Driver's Education is listed in the extra-curricular schedule of the Negotiated Agreement. TFFR recommends that the District should issue some form of written agreement for 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 net amount of the overpayment and shortage of contributions is a shortage of \$22,229.07. The bill for the shortage 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 and net shortage in contributions needs to be returned to the Retirement and Investment Office by March 28, 2013.** To ensure that the reporting procedures have been corrected, we will review salaries again 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

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Enclosures

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**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
STANLEY SCHOOL
FEBRUARY 25, 2013**

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 employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

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

SCOPE

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

TFFR reviewed the accounts for selected members' salaries reported by the District for the 2010-11 and 2011-12 school years. We calculated the member and employer contributions due to TFFR based on the payroll information provided by the District. The results are then compared to the amounts actually reported to TFFR by the District for the years being audited.

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

It is our opinion that retirement salaries reported by the Stanley School for the fiscal years 2010-11 and 2011-12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9).

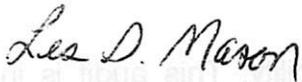
None

RECOMMENDATION

None

Any 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 TFFR of their intent to retire.



Les Mason
Supervisor of Internal Audit

bh
Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
ASHLEY SCHOOL
FEBRUARY 21, 2013**

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 employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

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

SCOPE

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

TFFR reviewed the accounts for selected members' salaries reported by the District for the 2010-11 and 2011-12 school years. We calculated the member and employer contributions due to TFFR based on the payroll information provided by the District. The results are then compared to the amounts actually reported to TFFR by the District for the years being audited.

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.

FINDING

It is our opinion that retirement salaries reported by the Ashley School for the fiscal years 2010-11 and 2011-12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9) except for the following item:

- The District reported the same advisor salary twice.

RECOMMENDATION

- This was an isolated error brought to RIO auditors' attention by the business manager. TFFR recommends that the District use care in reporting eligible salary.

RECOMMENDATION, CONTINUED

The website address for the Employer Guide is:
<http://www.nd.gov/rio/TFFR/Publications/EmployerGuide-intro.htm>

Any 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 TFFR of their intent to retire.



Les Mason
Supervisor of Internal Audit

bh
Enclosures

SCOPE

FINDINGS

RECOMMENDATION

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
ROLETTE SCHOOL DISTRICT
FEBRUARY 21, 2013**

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 has been established within RIO to carry out this responsibility. Independent reports are filed with the Interim Director-Retirement Officer of RIO upon completion, and the Audit Committee of the State Investment Board (SIB) quarterly.

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 Rolette 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.

Because the Primary Test disclosed reporting procedures used by the District that could affect a large portion of the population for fiscal years 2009/10 through 2010/11, the Primary Test was expanded to include 100 percent of the members. 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. The members' accounts were reviewed for the audit period as well as for the 2011-12 school year.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries reported by the Rolette School District for the fiscal years 2009/10 through 2011/12 were *generally* 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 unused sick leave for eight members.
2. The District under-reported extra-curricular wages for one member.
3. The District did not report in-service salary for one member.
4. The District reported cost reimbursement for two members.
5. The District under-reported contract salary for one member.
6. The District did not issue written agreements for all summer programs.

RECOMMENDATIONS AND CORRECTIVE ACTION

Findings 1, 2, 3, 4, & 5:

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

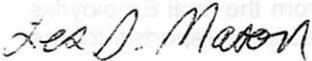
Finding 6:

The District did not issue written agreements for all summer programs. TFFR requires that the District 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 school 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 net amount refunded for Findings 1 through 5 is \$184.56. The refund check will be sent to the Business Manager. TFFR will correct the salaries and notify the members. It is the District's responsibility to collect any contributions due from the members and to refund to the members any contributions overpaid. Please provide a written response on the District's intent to correct the above errors, including issuing written agreements for summer school programs, in future reporting to TFFR. **The written response needs to be returned to the Retirement and Investment Office by March 22, 2013.**

Determinations for the findings were based on review of available documentation and assistance from the Business Manager. 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

bh
Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
SOURIS VALLEY SPECIAL EDUCATION UNIT
FEBRUARY 20, 2013**

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 Interim Executive Director-Retirement Officer of RIO upon completion, and the Audit Committee of the State Investment Board (SIB) quarterly.

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 2010/11 through 2011/12 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 2010/11 through 2011/12. 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 Souris Valley Special Education Unit for the fiscal years 2010/11 through 2011/12 were in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following error was noted.

The District did not issue written agreements to two members (part-time speech language teacher and out-of-district summer school administrator) for salary reported to TFFR.

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.

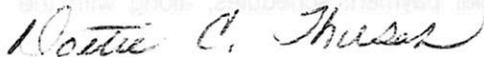
Finding:

In order to report salary to TFFR, a member must be licensed by the Education Standards and Practices Board and have some form of written agreement with the District. The District did not provide a written agreement for an out-of-district summer school administrator and a part-time speech language teacher. If written agreements are not issued to teachers from outside the District or teachers without a continuing contract, the 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. No correction will be made to these two members' accounts for the audit period. However, for future reporting, the District will have to issue some form of written agreement to report the salary to TFFR.

Please provide a written response on the District's intent to correct the above error in future reporting to TFFR. **The written response needs to be returned to the Retirement and Investment Office by March 15, 2013.**

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

Enclosures

MEMORANDUM

TO: STATE INVESTMENT BOARD AUDIT COMMITTEE MEMBERS

FROM: LES MASON, SUPERVISOR OF INTERNAL AUDIT

DATE: MAY 10, 2013

SUBJECT: WORK PLAN AND BUDGETED AUDITS AND HOURS

Attached to this memo are the following items:

- A. Proposed work plan for the fiscal year 7/1/2013 - 6/30/2014
- B. Budgeted hours for the fiscal year
- C. Risk assessment/selection of school district audits

The proposed work plan (5.A.) is based on the needs of RIO and the concerns of management and the SIB Audit Committee.

AUDIT BUDGET HOURS (5.B & 5.C)

School District Audits

Using the risk factors listed, conferring with staff, and reviewing prior audit reports, hours were assigned as noted. Based on positive changes made to the audit process, anticipated average hours are now about 52 hours per audit. In prior years, the average was estimated at about 65 hours. Therefore, we believe that 52 audits can be conducted in FY 2013/14. We have estimated that it will take 2,680 hours to complete these audits.

The first 10 school districts on the risk assessment list have already been contacted, the information has been requested, and information has been received from two districts. We have been following up the written requests with phone calls to the business managers to determine whether they received the letter, whether they have questions or need help filling out the worksheets, whether they would like us to send the worksheets electronically, and to encourage them to call with any questions or concerns they may have. The reconciliation worksheets have been revised to make the school district business managers' completion of this worksheet less confusing, and a sample reconciliation is also enclosed. This has all been a positive experience. Worksheets seem to be filled out more accurately and clearly, with most of our questions being answered on the front end. Also, it seems to put the business managers more "at ease". These changes are working to our advantage, and we anticipate that will continue.

Follow-up On Not-in-Compliance Reviews

For the seven follow-up reviews, we considered the risk factors, as well as other anticipated problems and designated hours accordingly. We have estimated it will take 276 hours to complete these reviews.

File Maintenance

In the recent past, 16 hours per quarter have been budgeted for the file maintenance review. Historically, there have been no material issues, so we have scaled the hours back to 12 hours per quarter, for a total of 48 hours.

Review of Deaths, Purchase of Service, and Refunds

The review of deaths, purchase of service, and refunds has not shown any discrepancies; therefore, we are reducing the amount of time spent on this process as well. RIO's current external auditors do not feel that this is an area that is material, and therefore does not include this as part of their review. We have budgeted 32 hours for this review.

Executive Limitations Audit

The executive limitations audit time frame will be slightly reduced from 24 to 20 hours. There have been no issues in the past.

Special Projects

The Special Projects budget hours include unidentified projects or audits requested by the Interim Executive Director/Chief Retirement Officer or the SIB Audit Committee. The current special project assigned by the Interim Executive Director/Chief Retirement Officer is the creation of an audit policy and procedure manual. We have estimated 80 hours for special audit projects.

Non-Audit Budgeted Hours

Administrative

Administrative hours include the various meetings the audit unit attends, and any prep time required. These meetings include board, audit committee, staff, and management meetings, as well as other special audit meetings and supervisory duties. It also includes continuing education hours, and breaks for non-exempt staff. We have budgeted 384 administrative hours.

Annual/Sick Leave and Holidays

Annual/Sick leave and holiday hours include the earned annual leave for the fiscal year (360 hours), sick leave averaged over the prior two years (112 hours), and 10.5 holidays (168 hours), for a total of 640 hours.

Summary

This proposed annual work plan and budget represents the work we believe can be accomplished for the fiscal year July 1, 2013 to June 30, 2014. Based on the changes in procedures, using the data compiled, our concentrated work effort, and our commitment, this represents our best estimate for goals that are reasonable and can be accomplished.

**RETIREMENT AND INVESTMENT OFFICE (RIO)
INTERNAL AUDIT SERVICES UNIT WORK PLAN
FOR THE JULY 1, 2013 - JUNE 30, 2014 FISCAL YEAR**

Draft

RETIREMENT PROGRAM:

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

Audit Frequency: On-going. Fifty two audits completed for fiscal year 2013-2014.
Report: Filed with Interim Executive Director/Chief Retirement Officer, 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. Seven reviews completed for fiscal year 2013-2014.
Report: Filed with Interim Executive Director/Chief Retirement Officer and school district upon completion. Filed with the SIB Audit Committee quarterly.

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

Audit Frequency: Quarterly
Report: Filed with Interim Executive Director/Chief Retirement Officer upon completion Filed with the SIB Audit Committee quarterly. Results made available for external auditors' review.

- Perform review of deaths, purchase of service, and refunds.

Audit Frequency: Annually
Report: Filed with Interim Executive Director/Chief Retirement Officer and SIB Audit Committee upon completion. Results made available for external auditors' review.

RIO ADMINISTRATION:

- Determine whether executive performance is in compliance with State Investment Board (SIB) *Executive Limitations* governance policy.

Audit Frequency: Annually.
Report: Filed with Interim Executive Director/Chief Retirement Officer, Interim Chief Investment Officer, and SIB Audit Committee 30 days following calendar year end.

SPECIAL PROJECTS:

- Other unidentified special projects or audits at the request of the Interim Executive Director/Chief Retirement Officer or the SIB Audit Committee.
- Current special project assigned by the Interim Executive Director/Chief Retirement Officer is the creation of an audit policy and procedure manual.

RIO INTERNAL AUDIT DIVISION

BUDGETED HOURS FOR THE FISCAL YEAR JULY 1, 2013 TO JUNE 30, 2014

BUDGETED HOURS COMPARISON FOR THE FISCAL YEAR JULY 1, 2012 TO JUNE 30, 2013
(YTD hours through 5/8/2013)

	2013-14 BUDGET HOURS	2012-13 BUDGET HOURS	YTD HOURS 7/1/2012 - 5/8/2013	1st quart. hours 7/1/2012 - 9/30/2012	2nd quart. hours 10/1/2012 - 12/31/2012	3rd quart hours 1/1/13 - 3/31/13	4th quart. hours 4/1/13 - 5/8/2013
1. Audit							
School District Audits	2,680	2,792	2,387	653	737	678	319
Follow-up on "not-in-compliance" previous audits	276	60	44		30	10	4
TFFR File Maintenance	48	64	56	21		19	16
Death, purchase of service, and refunds review	32	52	52	52			
Executive Limitations	20	24	21			21	
Policy & Procedure Manual		16	0				
Special Projects(Including Policy & Procedure Manual)	80	40					
Total Audit Hours	76% 3,136	3,048	2,560	726	767	728	339
2. Administrative (meetings & prep, CEU's, etc.)	9% 384	292	436	106	103	133	94
3. Annual/Sick Leave, Holidays	15% 640	820	604	208	170	179	47
Total Budget Hours (2 FTE's)	100% 4,160	4,160	3,600	1,040	1,040	1,040	480

RISK ASSESSMENT/SELECTION OF AUDITS FOR THE FISCAL YEAR 7/1/2013 - 6/30/2014

64 Remaining School Districts in Cycle 3

Risk Factors to be considered

- a Not in compliance in last audit cycle
- b Generally in compliance with issues
- c New business manager
- d Audits done earlier in previous cycle
- e Issues raised by RIO personnel, district teachers
- f reported as in compliance, should have been generally or not in compliance

	Last Audit	risk factors	assigned Auditor	anticipated hours	>101 lge dist.	51 - 100 med dist.	<51 sm dist.	To be Audited FY 2014	To be Audited FY 2015
Mapleton Elementary	07	d	LM	48			sm	x	
New Rockford Sheyenne	#		LM	48			sm	x	requested info, received 4/30/2013
St. Thomas	07	d	LM	48			sm	x	# not audited since consolidation in 8/06
Surrey	06	d	DT	44			sm	x	requested info 4/16/2013
TGU School District	05	d	DT	44			sm	x	requested info 4/16/2013
Turtle Lake- Mercer	05	b,d	DT	64		med		x	requested info 4/16/2013
Upper Valley Spec Ed	06	b,d	DT	48			sm	x	requested info, received 5/2/2013
Westhope	05	d	LM	44			sm	x	requested info 4/16/2013
Wishek	04	d	DT	44			sm	x	requested info 4/16/2013
Wyndmere	05	d	LM	44			sm	x	requested info 4/16/2013
West River Student Serv	03	c,d	LM	56			sm	x	requested info 4/16/2013
Grand Forks	05	c,d,e	DT	96	lge			x	
Medina	05	d	LM	44			sm	x	
Minto	05	d	LM	44			sm	x	
West Fargo	05	d	LM	92	lge			x	
Elgin-New Leipzig	06	d	LM	44			sm	x	
Flasher	06	d	LM	44			sm	x	
GST Educational	06	d	DT	44			sm	x	
Hebron	06	d	DT	44			sm	x	
Maddock	06	d	DT	44			sm	x	
Midkota	06	d	LM	44			sm	x	
Midway	06	d	DT	44			sm	x	
Nedrose (Minot)	06	d	DT	44			sm	x	
New Public School	06	c,d	DT	44			sm	x	
St. John	06	c,f	DT	72		med		x	
White Shield	06	d	LM	44			sm	x	
Wolford	06	c,d	DT	44			sm	x	
Devils Lake	07		DT	56		med		x	
Fargo	07	b,c,d	LM	96	lge			x	
Parshall	09	a,c	LM	88			sm	x	
Manvel Elementary	10	a	LM	64			sm	x	

RISK ASSESSMENT/SELECTION OF AUDITS FOR THE FISCAL YEAR 7/1/2013 - 6/30/2014

64 Remaining School Districts in Cycle 3

District	Year	Category	Type	Hours	Assessment	Method	Assigned	Audits	Hours
Pingree-Buchanan	10	a	LM	88		sm			
Zeeland	10	a	LM	64		sm			
Oliver-Mercer Spec Ed	09	b,c	LM	48		sm			
Emerado	10	b,c	LM	44		sm			
Fort Totten	09	b	DT	48		sm			
Hazelton-Moffit School	09	b	LM	48		sm			
Kensal	09	b	LM	48		sm			
Lake Region Spec Ed	09		LM	44		sm			
Nesson	09		LM	44		sm			
South Heart School	09		LM	44		sm			
Kulm	08		DT	44		sm			
Lewis & Clark School	08		LM	48	med				
Maple Valley	08		LM	44		sm			
Mohall/Lansford/Sherwood	08	c	DT	44	med				
Montpelier	08		LM	44		sm			
Warwick	08		DT	56		sm			
Billings Co. Sch. District	09	c	DT	44		sm			
East Central Excp. Child	09		DT	40		sm			
Edmore	09	c	DT	44		sm			
Glen Ullin	09		DT	44		sm			
James River Multidistrict Spec Ed	09	c	LM	40		sm			
								Audits	Hours
								52	2,680
Assigned									
	23	DT							
	29	LM							
									To be completed in FY 2014
Dickinson	09	b	DT	96	lge				x
Mayville-Portland C-G	09	c	DT	40		med			x
Wilmac Spec Ed	09	c	DT	40		med			x
Munich	10	b	LM	48		sm			x
North Border	10	b	DT	48		med			x
South Prairie Elementary	10	b	LM	48		sm			x
Fordville-Lankin	10		DT	40		sm			x
Litchville-Marion	10	c	DT	40		sm			x
Page	10		DT	40		sm			x
Selfridge	10	c	DT	40		sm			x
Starkweather	10		DT	40		sm			x
Wing	10		DT	40		sm			x
	64								
			Total Assigned						
		33	DT						
		31	LM						To be completed in FY 2015

RISK ASSESSMENT/SELECTION OF AUDITS FOR THE FISCAL YEAR 7/1/2013 - 6/30/2014

64 Remaining School Districts in Cycle 3

Not in Compliance to be reviewed in FY 2013-14

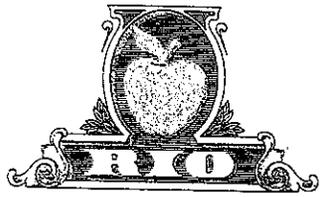
Williston (new business manager)	DT	48	lge		x	many issues, anticipate problems
McClusky	DT	36		sm	x	several issues
Ft. Yates	LM	40		sm	x	poor records, anticipate problems
Kindred	DT	40	med		x	programming and other issues
Minnewaukan	LM	40		sm	x	anticipate problems
Powers Lake	DT	40		sm	x	programming and other issues
Dunseith	LM	32	med		x	mostly summer salary not reported
Assigned						
4	DT	276	total hours			
3	LM					

School Districts Not In Compliance

District	Auditor	date completed	FYE Audited	FYE follow-up planned	
Solen-Cannon Ball	DT	6/21/2010	2010	2013	Reviewed 11-12, found salary reported incorrectly for 35 members, requested additional information
Velva	DT	5/17/2011	2011	2013	Review complete, found no exceptions
Halliday	LM	6/22/2011	2011	2013	Review in progress, requested additional information
Eight Mile	LM	12/5/2011	2012	2013	Review complete, found no exceptions

Included in FY 2013-14 plan

Williston	DT	5/25/2012	2012	2014	} Do the follow-up review in the first half of the fiscal year
McClusky	DT	7/30/2012	2013	2014	
Ft. Yates	LM	1/16/2013	2013	2014	
Kindred	DT	2/27/2013	2013	2014	
Minnewaukan	LM	3/12/2013	2013	2014	
Powers Lake	DT	1/3/2013	2013	2014	
Dunseith	LM	4/30/2013	2013	2014	



ND Retirement and Investment Office

*Teachers' Fund for Retirement
State Investment Board*

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
Telephone 701-328-9885
Toll Free 800-952-2970
Fax 701-328-9897
www.nd.gov/rio

May 8, 2013

Stephen Cascaden
Superintendent
Eight Mile School District
PO Box 239
Trenton ND 58853-0239

RE: TFFR Compliance Audit – Follow-Up Review

Dear Mr. Cascaden:

During fiscal year 2011/12, the North Dakota Retirement and Investment Office audited the Eight Mile School (District) to determine whether salaries, service hours, and members reported to TFFR were in compliance with the North Dakota Century Code. The District was found to be not in compliance in a report dated December 5, 2011. As a result, TFFR Board policy requires a follow-up review after the audit period to ensure that reporting procedures have been corrected.

Audit Division staff reviewed payroll records and contracts requested from the District for three members reported to TFFR in fiscal year 2011/12. At the time of the audit review, the retirement salaries reported to TFFR for the audit sample were in compliance. Based on our follow-up review, it appears the findings from the December 2011 compliance audit report have been corrected. Please continue to follow proper TFFR reporting procedures.

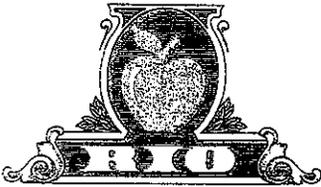
On behalf of the TFFR Board, I would like to thank you and Doug Hoffman for your cooperation during the TFFR audit follow-up review. If you have any questions, please contact us at the Retirement and Investment Office.

Sincerely,

Fay Kopp
Interim Executive Director-
Chief Retirement Officer

Les Mason
Supervisor of Internal Audit

Enclosure
bh
c Douglas Hoffman



ND Retirement and Investment Office

*Teachers' Fund for Retirement
State Investment Board*

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
Telephone 701-328-9885
Toll Free 800-952-2970
Fax 701-328-9897
www.nd.gov/rio

May 1, 2013

Dr. Steve Swiontek
Superintendent
Velva School District
PO Box 179
Velva ND 58790-7045

RE: TFFR Compliance Audit - Follow-Up Review

Dear Dr. Swiontek:

During fiscal year 2010/11, the North Dakota Retirement and Investment Office audited the Velva School District to determine whether salaries, service hours, and members reported to TFFR were in compliance with the North Dakota Century Code. The District was found not in compliance in a report dated May 17, 2011. As a result, TFFR Board policy requires a follow-up review after the audit period to ensure that reporting procedures have been corrected.

Audit Division staff reviewed payroll records and contracts requested from the District for three members reported to TFFR in fiscal year 2011/12. At the time of the audit review, the retirement salaries reported to TFFR for the audit sample were in compliance. Based on our audit follow-up review, it appears the findings from the May 2011 compliance audit report have been corrected. Please continue to follow proper TFFR reporting procedures.

On behalf of the TFFR Board, I would like to thank you and Teri Kvamme for your cooperation during the TFFR audit follow-up review. If you have any questions, please contact us at the Retirement and Investment Office.

Sincerely,

Fay Kopp
Interim Executive Director-
Chief Retirement Officer

Dottie Thorsen
Internal Auditor

bh
Enclosure
c Teri Kvamme

**SIB AUDIT COMMITTEE ANNUAL PLANNING CALENDAR
JULY 2013 - JUNE 2014**

JULY 2013	AUGUST 2013	SEPTEMBER 27, 2013	OCTOBER 2013	NOVEMBER 22, 2013	DECEMBER 2013
<p>TFFR Mtg. – 7/25/13 SIB Mtg. – 7/26/13</p> <ul style="list-style-type: none"> SIB appoints Audit Committee 	<p>SIB Mtg. – 8/23/13</p>	<ul style="list-style-type: none"> Election of Chair and Vice Chair. Internal Audit Activities Report. Audit Committee Charter review Audit Committee update memo to SIB <p>* Meeting at 1:00 p.m. Peace Garden Room</p> <p>TFFR Mtg. – 9/26/13 SIB Mtg. – 9/27/13</p>	<p>TFFR Mtg. – 10/24/13 SIB Mtg. – 10/25/13</p>	<ul style="list-style-type: none"> Presentation of fiscal 2013 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. – 11/22/13</p>	
JANUARY 2014	FEBRUARY 28, 2014	MARCH 2014	APRIL 2014	MAY 23, 2014	JUNE 2014
<p>TFFR Mtg. - 1/23/14 SIB Mtg. - 1/24/14</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>SIB Mtg. - 2/28/14</p>	<p>TFFR Mtg. - 3/27/14 SIB Mtg. - 3/28/14</p>	<p>TFFR Mtg. – 4/24/14 SIB Mtg. - 4/25/14</p>	<ul style="list-style-type: none"> Entrance conference with external auditors. Internal Audit Activities Report. Review of fiscal 2015 audit plan. Plan annual agenda and meeting dates. <p>* Meeting at 1:00 p.m. Peace Garden Room</p> <p>SIB Mtg. - 5/23/14</p>	<p>SIB Mtg. - 6/27/14</p>