

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
MAY 17, 2013 MEETING**

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Lonny Mertz, Vice Chair
Mike Gessner, TFFR Board/Liaison to the SIB
Mike Sandal, PERS Board

COMMITTEE MEMBERS ABSENT: Cindy Ternes, Workforce Safety & Insurance

STAFF PRESENT: Connie Flanagan, Fiscal & Investment Officer
Fay Kopp, Interim Executive Director
Les Mason, Internal Audit Supervisor
Darlene Roppel, Retirement Assistant
Dottie Thorsen, Internal Audit

OTHERS PRESENT: Thomas Rey, CliftonLarsonAnderson

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 1:00 p.m., on Friday, May 17, 2013, at the State Capitol, Peace Garden Room, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

The Audit Committee considered the May 17, 2013, agenda.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. GESSNER AND CARRIED ON A VOICE VOTE TO ACCEPT THE AGENDA FOR THE MAY 17, 2013, MEETING.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

MINUTES:

The Audit Committee considered the minutes from the February 22, 2013, meeting.

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO ACCEPT THE FEBRUARY 22, 2013, MINUTES AS WRITTEN.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

EXTERNAL AUDIT:

Mr. Thomas Rey, CliftonLarsonAllen, reviewed the Retirement and Investment Office's financial audit scope and approach for the period of July 1, 2012 to

June 30, 2013. CliftonLarsonAllen is performing preliminary field work the week of May 13, 2013.

Mr. Rey reviewed clarity audit standards, that primarily the external auditors will need to follow, and new GASB statements: Statement 67 (Financial Reporting for Pension Plans) and Statement 68 (Accounting and Financial Reporting for Pensions) that RIO will be required to meet in 2014 and 2015, respectively.

IT WAS MOVED BY MR. MERTZ AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO ACCEPT CLIFTONLARSONALLEN'S AUDIT SCOPE AND APPROACH FOR THE RETIREMENT AND INVESTMENT OFFICE FOR THE PERIOD OF JULY 1, 2012 - JUNE 30, 2013.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

INTERNAL AUDIT ACTIVITIES:

Mr. Mason reviewed the Internal Audit Division's work activity for the period of July 1, 2012 through May 10, 2013.

School District Audit Progress - The objective is to complete 43 or more school district audits during FY2013. Currently, 37 audits have been completed, four audits are in progress, and information on four or more school districts has been received, and information has been requested from seven additional school districts.

Ms. Dorwart and Ms. Kopp have been meeting with Mr. Mason on a biweekly basis to review and revise the policies and procedures as they relate to the school district audit process, monitoring workflow, and discussing any concerns staff may have as they work through the audits.

TFFR File Maintenance - Ms. Thorsen reported she reviewed various member account transactions to the member accounts for the months of January - March 2013. There were no exceptions noted.

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT DIVISION'S INTERNAL AUDIT ACTIVITY REPORT FOR THE PERIOD OF JULY 1, 2012 - MAY 10, 2013.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

WORK PLAN:

Proposed Work Plan - Mr. Mason reviewed the proposed work plan, budgeted hours, and risk assessment/selection of school district audits for fiscal year July 1, 2013 through June 30, 2014.

Discussion followed on the content of the work plan, policies, procedures, and practices that are in place to achieve the work plan that had been presented to the Audit Committee.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. MERTZ AND CARRIED ON A VOICE VOTE TO ACCEPT THE JULY 1 2013 - JUNE 30, 2014 WORK PLAN.

AYES: MR. SANDAL, MR. GESSNER, MS. DORWART, AND MR. MERTZ
 NAYS: NONE
 MOTION CARRIED
 ABSENT: MS. TERNES

CHARTER:

Mr. Mason stated a revised charter will be presented at the September 27, 2013, meeting for the Audit Committee's consideration. Mr. Mason is in the process of gathering information to reference and also comparing the language of the charter to other entities. Mr. Mertz volunteered to work with staff on updating the charter.

Mr. Gessner noted he will begin providing updates on the Audit Committee meetings to the Teachers' Fund for Retirement Board.

MEETING SCHEDULE:

Mr. Mason reviewed the July 1, 2013 - June 30, 2014, Audit Committee meeting schedule. The Audit Committee was in agreement with the schedule.

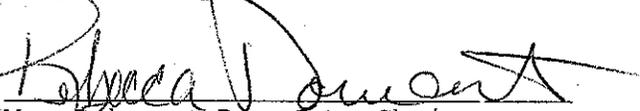
OTHER:

The next Audit Committee meeting is scheduled for September 27, 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 2:30 p.m.

Respectfully Submitted:



Ms. Rebecca Dorwart, Chair
 SIB Audit Committee



Bonnie Heit
 Assistant to the Audit Committee