

STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
NOVEMBER 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, Assistant to the Audit Committee
Fay Kopp, Interim Executive Director
Shelly Schumacher, Retirement Program Manager
Dottie Thorsen, Internal Auditor
Susan Walcker, Investment Accountant

OTHERS: Jason Ostroski, CliftonLarsonAllen

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 1:00 p.m., on Friday, November 22, 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 November 22, 2013, agenda.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. TERNES AND CARRIED ON A VOICE VOTE TO ACCEPT THE AGENDA FOR THE NOVEMBER 22, 2013, MEETING.

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

NAYS: NONE

MOTION CARRIED

MINUTES:

The Audit Committee considered the minutes from the September 27, 2013, meeting.

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. MERTZ AND CARRIED ON A VOICE VOTE TO ACCEPT THE SEPTEMBER 27, 2013, MINUTES AS WRITTEN.

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

NAYS: NONE

MOTION CARRIED

FINANCIAL AUDIT REPORT:

Mr. Jason Ostroski, CliftonLarsonAllen, reviewed the audit results of the Retirement and Investment Office's (RIO) financial statements for the fiscal year ended June 30, 2013. Mr. Ostroski also reported CliftonLarsonAllen has issued an unmodified, clean, opinion.

Mr. Ostroski also reviewed the new accounting statements the Governmental Accounting Standards Board (GASB) recently approved. GASB 67, Financial Reporting for Pension plans, replaces GASB 25. It provides for accounting with respect to the TFFR plan, effective fiscal year July 1, 2013, to June 30, 2014. GASB 68, Accounting and Financial Reporting for Pensions, replaces GASB 27. It provides for the financial reporting by employers/school districts with respect to TFFR, effective fiscal year July 1, 2014, to June 30, 2015.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED BY A VOICE VOTE TO ACCEPT CLIFTONLARSONALLEN'S AUDIT REPORT OF THE FINANCIAL STATEMENTS FOR THE RETIREMENT AND INVESTMENT OFFICE FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

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

NAYS: NONE

MOTION CARRIED

The Audit Committee thanked staff for their hard work and congratulated them for all of their efforts working with CliftonLarsonAllen in putting together an excellent audit report.

AUDIT ACTIVITIES REPORT:

Ms. Kopp and Ms. Thorsen reviewed internal audit activities for the July 1, 2013 - September 30, 2013 period.

With the retirement of the Internal Audit Supervisor, current plans are to complete 24 school district audits and four not in compliance reviews. As of November 15, 2013, eight audits were completed, three audits are in progress, and one not in compliance review is in progress.

The TFFR File Maintenance Audit was completed and changes made to TFFR member account data by RIO employees was tested. No exceptions were noted.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. GESSNER AND CARRIED ON A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE PERIOD OF JULY 1, 2013 - SEPTEMBER 30, 2013.

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

NAYS: NONE

MOTION CARRIED

RIO STAFF VACANCIES:

Mr. Sandal and Ms. Kopp updated the Audit Committee on RIO staff vacancies.

Mr. David Hunter will begin his duties as Executive Director/Chief Investment Officer on December 2, 2013.

Mr. Cody Schmidt will begin his duties as Compliance Officer on December 9, 2013.

The Fiscal and Investment Officer and Investment Analyst positions will be posted once an organizational review of investment and fiscal division duties are reviewed with the new ED/CIO.

Gary Vetter, Supervisor of Information Services, announced his retirement on November 4, 2013. His last day of employment will be March 31, 2014.

Ms. Kopp will be reviewing and discussing the Supervisor of Internal Audit position with the Audit Committee at their November 22, 2013, meeting.

INTERNAL AUDIT SUPERVISOR POSITION:

Ms. Kopp reviewed with the Audit Committee the following documents as they relate to RIO's Audit Supervisor of Internal Audit position; SIB Governance Policy/Standing Committees/B-6, the Audit Committee charter as it exists today, the current job description, agency organization chart, and office administrative hiring policy. The Audit Committee and Ms. Kopp also discussed the audit functions within the agency and the audit reporting structure.

Ms. Kopp recommended filling the Audit Supervisor position in substantially the same form the format as it exists today. Once the position has been filled, the new Audit Supervisor of Internal Audit, RIO executive management, and the Audit Committee will work together to review the current audit function within the agency, audit reporting structure, and audit programs and procedures in order to identify how to best structure RIO's audit program for the future.

The Audit Committee also discussed having at least one member from the Audit Committee participate in the hiring or selection process. After discussion,

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. MERTZ AND CARRIED BY A VOICE VOTE TO HAVE AT LEAST ONE MEMBER FROM THE AUDIT COMMITTEE ACTIVELY INVOLVED WITH THE ED/CIO OF RIO IN THE HIRING OF THE AUDIT SUPERVISOR OF INTERNAL AUDIT.

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

NAYS: NONE

MOTION CARRIED

Ms. Dorwart, Chair, volunteered to be involved in the hiring of the Audit Supervisor position.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. GESSNER AND CARRIED BY A VOICE VOTE TO AUTHORIZE STAFF TO MOVE FORWARD IMMEDIATELY WITH FILLING THE AUDIT SUPERVISOR OF INTERNAL AUDIT POSITION FOR RIO.

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

OTHER:

The next Audit Committee meeting is scheduled for February 28, 2014, at 1:00 p.m. at the State Capitol, Peace Garden Room.

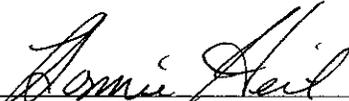
ADJOURNMENT:

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 2:52 p.m.

Respectfully Submitted:



Ms. Rebecca Dorwart, Chair
SIB Audit Committee



Bonnie Heit
Assistant to the Audit Committee