

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
FEBRUARY 28, 2014, 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
David Hunter, Executive Director/CIO
Fay Kopp, Deputy Executive Director/CRO
Dottie Thorsen, Internal Auditor

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 1:00 p.m., on Friday, February 28, 2014, at the State Capitol, 600 E Blvd, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

The Audit Committee considered the February 28, 2014, agenda.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. TERNES AND CARRIED ON A VOICE VOTE TO ACCEPT THE AGENDA FOR THE FEBRUARY 28, 2014, 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 November 22, 2013, meeting.

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

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

AUDIT ACTIVITIES REPORT:

Ms. Thorsen reviewed internal audit activities for the October 1, 2013 - December 31, 2013 period.

As of December 31, 2013, 10 audits were completed and two audits were in progress, and information for six districts was on file. As of February 28 2014, 14 audits have been completed, two are in progress, two not in compliance reviews have been completed, and notifications to five more districts were sent out.

Ms. Thorsen also indicated the TFFR File Maintenance Audit was completed. No exceptions were noted.

Staff also reviewed budgeted hours for the period ending December 31, 2013.

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. MERTZ AND CARRIED ON A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE PERIOD OF OCTOBER 1, 2013 - DECEMBER 31, 2013.

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

NAYS: NONE

MOTION CARRIED

GASB IMPLEMENTATION:

Ms. Kopp informed the Audit Committee she has been meeting with the Public Employees Retirement System (PERS) and the State Auditor's Office representatives to review options and timeframes for implementing the new pension reporting standards, GASB Statements No. 67 and No. 68. The entities are working through the process in a joint effort, where appropriate, in order to reduce costs and provide consistency for state and local governments, school districts, and other Teachers' Fund for Retirement (TFFR) and PERS participating employers. Ms. Kopp also reviewed a draft timeline to implement the new standards.

AUDIT SUPERVISOR POSITION:

Ms. Kopp updated the Audit Committee on recruitment efforts for the Audit Supervisor vacancy. Ms. Kopp has been working with Ms. Dorwart, Mr. Hunter, and Mr. Lynn Hart, State Human Resource Management Services (HRMS) on filling the vacancy. The vacancy was first posted on December 31, 2013, and in order to expand the applicant pool, the position has been re-posted twice with the current closing date scheduled for March 18, 2014. Ms. Dorwart will also look into having the local chapter of the Institute of Internal Auditors (IIA) distribute the vacancy posting to its members. Ms. Kopp will continue to keep the Audit Committee up to date on the status of the position.

STAFFING UPDATE:

Mr. Hunter provided an update on office staff. Mr. Cody Schmidt assumed the role of Compliance Officer effective December 9, 2013, and Ms. Connie Flanagan was reinstated as Fiscal & Investment Operations Manager, effective January 22, 2014. Mr. Gary Vetter, Information Technology Supervisor, will retire March 31, 2014, and Mr. Rich Nagel, will be promoted into the position effective April 1, 2014. Positions left to be filled are the Audit Supervisor, Information Technology Coordinator, and Investment Analyst and staff is addressing those vacancies.

OTHER:

The next Audit Committee meeting is scheduled for May 23, 2014, at 1:00 p.m. at the State Capitol, Peace Garden Room.

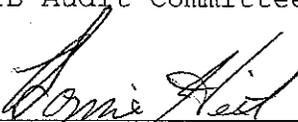
ADJOURNMENT:

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 1:35 p.m.

Respectfully Submitted:



Ms. Rebecca Dorwart, Chair
SIB Audit Committee



Bonnie Heit
Assistant to the Audit Committee