STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
MAY 21, 2015, MEETING

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Mike Gessner, TFFR Board
Mike Sandal, PERS Board
Cindy Ternes, Workforce Safety & Insurance

COMMITTEE MEMBER ABSENT: Karol Riedman, Health Dept.

STAFF PRESENT: Connie Flanagan, Fiscal & Invt Op Mgr
Bonnie Heit, Assistant to the Audit Committee
David Hunter, Executive Director/CIO
Fay Kopp, Deputy Executive Director/CRO
Terra Miller Bowley, Suprv Audit Services
Shelly Schumacher, Retirement Program Manager
Dottie Thorsen, Internal Auditor

GUESTS: Thomas Rey, CliftonLarsonAllen
Jason Ostroski, CliftonLarsonAllen

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m., on Thursday, May 21, 2015, at the State Capitol, Peace Garden Room, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 21, 2015, MEETING AS DISTRIBUTED.

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

MINUTES:

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO APPROVE THE FEBRUARY 26, 2015, MINUTES AS AMENDED.

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

AUDIT SCOPE:

Mr. Rey reviewed the work plan for the audit of the Retirement and Investment Office's (RIO) financial statements and Teachers' Fund for Retirement (TFFR) GASB 68 schedules for the period ending June 30, 2015.

The preliminary fieldwork took place in May 2015. The census data and substantive procedures testing will take place July - September 2015 with the final audit report scheduled to be completed September/October 2015.

Mr. Rey also reviewed GASB 72, which will become effective for fiscal years beginning after June 15, 2015 (fiscal year ended June 30, 2016, for RIO). This statement will provide guidance for determining a fair value measurement for financial reporting purposes and will provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Mr. Ostroski also reviewed the audit results for GASB 68 schedules (schedules of employer allocations and the schedule of pension amounts by employer) for the period ending June 30, 2014. On-site census data testing was conducted on 17 employers. An unmodified clean opinion was issued on the schedules.

Ms. Kopp thanked the staff involved in the implementation, Ms. Miller Bowley, Ms. Flanagan, and Ms. Schumacher, as well as all of the support received from CLA and Segal.

AUDIT ACTIVITIES REPORT:

Ms. Miller Bowley updated the Audit Committee on Internal Audit activities for the third quarter period of January 1, 2015 - March 31, 2015.

Employer Compliance Audit Reports - Four employer audits were completed, seven employer audits were in progress, and one not in compliance review is in progress. As of March 31, 2015, sixteen employer audits and two not in compliance reviews have been completed.

The Internal Audit Division has been working with CLA on the GASB 68 Census Data Audits. Fieldwork on 17 employers was conducted and 202 member accounts were reviewed January 19-30, 2015. The audits were completed and two corrections were required.

At the request of CLA, the Internal Audit Division in conjunction with the Fiscal/Investment Operations Division also contacted thirty-three employers and requested confirmation of TFFR contributions for the fiscal year ending June 30, 2014.

File Maintenance Audit Report - The TFFR File Maintenance Audit was also completed and no exceptions were noted.

Annual Salary Verification Project - The Internal Audit Division assisted the Retirement Division in verifying salaries reported to TFFR for prior fiscal years 2012-13 and 2013-14 by participating employers. Five member accounts required corrections. Going forward, the Internal Audit Division will conduct the audit.

Executive Limitations - The Internal Audit Division also completed the Executive Limitations audit for the period of January 1, 2014, through December 31, 2014. The audit concluded the Executive Director/CIO is in compliance with the Executive Limitations policies A-1 through A-11.

Audit Services also conducted an agency wide survey of employees. The survey provided employees the opportunity to evaluate their immediate supervisor as well as other members of the management staff.

TFFR Cost Effective Benefit Payments - The Internal Audit Division was also asked by the Executive Director/CIO to verify that TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner. The audit is expected to be completed by June 2015.

Professional Development - The Supervisor of the Internal Audit Division will begin to pursue a Certified Internal Auditor designation. The Internal Audit Division also reinstated its membership with The Institute of Internal Auditors in October 2014, and attend the local chapter meetings.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. TERNES AND CARRIED ON A VOICE VOTE TO ACCEPT THE THIRD QUARTER AUDIT REPORT.

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

Ms. Miller Bowley updated the Audit Committee on audit services activities for the period of April 1, 2015, through May 15, 2015.

As of May 15, 2015, four employer audits have been completed; seven audits are in progress, and one not in compliance is in progress. Four employer audits are pending. Year to date, a total of twenty employer audits have been completed and two not in compliance reviews have been completed.

GOVERNMENT FINANCE OFFICERS ASSOCIATION -

The Government Finance Officers Association (GFOA) has awarded RIO a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the year ended June 30, 2014. This marks the 17th consecutive year that the agency has received the designation.

The Audit Committee requested staff issue a news release regarding the GFOA award.

WORK PLAN:

Ms. Miller Bowley reviewed a proposed work plan for the Internal Audit Division for the period of July 1, 2015 - June 30, 2016.

The Audit Committee also received a breakdown of the budgeted hours for the period of July 1, 2015 - June 30, 2016, for the Internal Audit Division.

The Audit Committee was also provided a risk assessment for participating employers for the period of July 1, 2015 - June 30, 2016.

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO ACCEPT THE WORK PLAN FOR THE PERIOD OF JULY 1, 2015 - JUNE 30, 2016.

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

MEETING SCHEDULE:

Ms. Miller Bowley distributed the 2015-16 Audit Committee meeting schedule.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. GESSNER AND CARRIED ON A VOICE VOTE TO ACCEPT THE MEETING SCHEDULE FOR THE PERIOD OF JULY 1, 2015 - JUNE 30, 2016.

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

OTHER:

The next Audit Committee meeting is scheduled for September 25, 2015, at 1:00 p.m. at the State Capitol, Peace Garden Room, Bismarck ND.

ADJOURNMENT:

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 4:25 p.m.

Respectfully Submitted:

Rebecca Dorwart

Ms. Rebecca Dorwart, Chair
SIB Audit Committee

Bonnie Heit

Bonnie Heit
Assistant to the Audit Committee