

STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
SEPTEMBER 25, 2015, MEETING

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Mike Gessner, TFFR Board
Karol Riedman, Health Dept.
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
Terra Miller Bowley, Suprv Audit Services
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, September 25, 2015, at the State Capitol, Ft. Union Room, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. GESSNER AND CARRIED ON A VOICE VOTE TO APPROVE THE AGENDA FOR THE SEPTEMBER 25, 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. SANDAL AND SECONDED BY MR. GESSNER AND CARRIED ON A VOICE VOTE TO APPROVE THE MAY 21, 2015, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MS. RIEDMAN

ELECTION OF OFFICERS:

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. TERNES AND CARRIED ON A VOICE VOTE TO CONTINUE WITH THE CURRENT SLATE OF OFFICERS FOR THE PERIOD OF JULY 1, 2015 - JUNE 30, 2016; MS. DORWART, CHAIR, AND MR. GESSNER, VICE CHAIR/LIAISON TO THE SIB.

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

AUDIT SERVICES YEAR END REPORT:

Ms. Miller Bowley reviewed Audit Service activities for the period of July 1, 2014 - June 30, 2015.

Employer Compliance Audit Reports - A total of thirty-one employers had been notified either of an upcoming TFFR compliance audit or not in compliance review. Twenty-two TFFR Compliance audits and two not in compliance reviews were completed. As of June 30, 2015, twenty-two employers had yet to be audited in the third audit cycle.

Discussion followed on employers who are not in compliance with the reporting of assessments/contributions to the TFFR Fund. Staff will continue to explore options to assist employers with reporting issues.

File Maintenance Audit Report - Four TFFR file maintenance audits were completed and no exceptions were noted.

Benefits Payment Audit - The Benefits Payment Audit was started in August 2015 and the results are noted in the 2015-16 first quarter activities report.

Annual Salary Verification Project - The annual salary verification project was completed in January 2015 and five member accounts were corrected.

TFFR Benefit Payment Cost Efficiency Review - A benefit payment cost efficiency review was completed in June 2015 and results indicated that retirement benefits are being paid at TFFR on a cost effective basis.

Administrative and Investment

Annual Audit Planning - The audit plan for fiscal year 2015-16 was completed in April 2015 and accepted by the Audit Committee at their May 21, 2015, meeting

External Audit Support - Audit Services provided support to CliftonLarsonAllen prior to, during, and after the annual financial audit of RIO. Preparation for the upcoming annual financial audit of RIO was completed in May 2015. Audit Services also provided support to CliftonLarsonAllen during the GASB 68 Census Data Audits.

Executive Limitations - Audit Services completed the Executive Limitations audit for the period of January 1, 2014 - December 31, 2014. Results indicate the Executive Director/CIO complies with SIB Governance Manual Executive Limitation policies A-1 through A-11. Audit Services also facilitated two organization wide surveys of employees in December 2014 and January 2015.

Executive Limitation - Staff Relations - Two employees voluntarily terminated their employment with RIO for the fiscal year ended June 30, 2015. Exit interviews were conducted with both employees and a questionnaire was completed during the course of the interviews.

Professional Development - Audit Services reinstated its membership with the Institute of Internal Auditors (IIA) and have been attending the local IIA chapter meetings since October 2014. Supervisor of Audit Services continues to pursue a CIA designation.

IT WAS MOVED BY MS. RIEDMAN AND SECONDED BY MR. GESSNER AND CARRIED ON A VOICE VOTE TO ACCEPT THE 2014-15 FISCAL YEAR END ACTIVITIES REPORT.

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

ANNUAL REPORT TO SIB:

Ms. Miller Bowley reviewed a draft of the Audit Committee's annual report of activities to the SIB for the period of July 1, 2014 through June 30, 2015. Ms. Miller Bowley will present the report to the SIB at its October 23, 2015, meeting.

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

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

AUDIT SERVICES FIRST QUARTER REPORT:

Ms. Miller Bowley reviewed the activity of Audit Services for the period of July 1, 2015 through September 4, 2015.

Employer Compliance Audit Reports - Five TFFR compliance audits and one not in compliance review had been completed as of September 4, 2015. Seven TFFR compliance audits were in progress and three were pending but not yet started. Six employers were recently notified of an upcoming audit. Seventeen employer compliance audits have yet to be audited in the third cycle.

File Maintenance Audit Report - The TFFR File Maintenance Audit was completed for the fourth quarter of fiscal year 2015 and no exceptions were noted.

Benefits Payment Audit - The Benefits Payment Audit for the period of July 1, 2014, through June 30, 2015, was completed and one exception was noted.

Administrative and Investment

Executive Limitations - The SIB's customer satisfaction survey was facilitated in July of 2015. The results will be presented to the SIB at their October 23, 2015, meeting.

External Audit Support - Audit Services continues to provide support to CliftonLarsonAllen during the annual financial audit of RIO including assisting with the GASB 68 Census Data Audits. The report will be presented to the Audit Committee at their November 19, 2015, meeting.

Professional Development Activities - Staff continues to attend IIA's local chapter meetings for networking and professional development opportunities.

AUDIT COMMITTEE CHARTER:

Ms. Miller Bowley presented a draft of the Audit Committee charter for their consideration and acceptance.

After review and discussion, Ms. Miller Bowley will forward a soft copy of the charter to the Audit Committee for further review and input. The revised charter will then be addressed at the November 19, 2015, meeting.

ENHANCED TRANSPARENCY:

Ms. Miller Bowley reviewed the Retirement and Investment Office's (RIO) plan to enhance the agencies overall level of transparency in order to expand public awareness and understanding. RIO hopes to have more materials available on its website by year-end.

OTHER:

The next Audit Committee meeting is scheduled for November 19, 2015, at 3:00 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 2:03 p.m.

Respectfully Submitted:



Ms. Rebecca Dorwart, Chair
SIB Audit Committee



Bonnie Heit
Assistant to the Audit Committee