STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
MAY 19,2016, MEETING

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Mike Gessner, TFFR Board (TLCF)
Karol Riedman, ND University System
Mike Sandal, PERS Board
Cindy Ternes, Workforce Safety & Insurance

STAFF PRESENT: Connie Flanagan, Fiscal & Invt Ops Mgr
Bonnie Heit, Assist to the Audit Committee
David Hunter, ED/CIO
Bradley Kasper, Intern
Fay Kopp, Dep ED/CRO
Terra Miller Bowley, Suprv Audit Services
Shelly Schumacher, Retirement Program Mgr
Dottie Thorsen, Internal Auditor

GUESTS: Thomas Rey, CliftonLarsonAllen

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 3:04 p.m., on Thursday, May 19, 2016, 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 REVISED AGENDA FOR THE MAY 19, 2016, MEETING AS DISTRIBUTED.

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

MINUTES:

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. RIEDMAN AND CARRIED ON A VOICE VOTE TO APPROVE THE FEBRUARY 25, 2016, MINUTES AS DISTRIBUTED.

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

CLIFTONLARSONALLEN:

Mr. Thomas Rey, CliftonLarsonAllen, reviewed the engagement and work plan for the audit of the financial statements of the Retirement and Investment Office (RIO) for the period of July 1, 2015 to June 30, 2016.

Mr. Rey also reviewed the audit results for GASB 68 schedules (schedules of employer allocations and pension amounts by employer) for the period ending June 30, 2015. An unmodified clean opinion was issued on the schedules.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MS. RIEDMAN AND CARRIED BY A VOICE VOTE TO ACCEPT THE GASB 68 SCHEDULES AUDIT REPORT.

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

Ms. Miller Bowley introduced Mr. Bradley Kasper. Mr. Kasper is interning with the Retirement and Investment Office for the period of May 16 - August 19, 2016. Mr. Kasper will be primarily working with the Audit Division and will also be assisting the Retirement Services Division approximately one to two days a week.

AUDIT SERVICES ACTIVITIES REPORT:

Ms. Miller Bowley reviewed Audit Service activities for the period of January 1, 2016 - March 31, 2016.

Two compliance audits were re-opened after additional information was received from the employers. The additional information was evaluated and amended reports were issued. Ms. Miller Bowley stated no additional employer audits were completed during the third quarter. Eight audits are currently in progress, which once completed will conclude the end of the third audit cycle. Six audit notifications were sent to employers for the fourth audit cycle. Those audits will began once the third audit cycle is completed.

Ms. Miller Bowley also stated the TFFR File Maintenance audit for the second quarter of fiscal year 2016 is currently in progress and will be concluded prior to the close of the fiscal year.

In February 2016, Audit Services verified the accuracy of retirement salaries, contributions, and service hours reported to TFFR for the prior fiscal year for 50 randomly selected member accounts representing 39 employers. Audit results required corrections to eight member accounts.

The audit on Executive Limitations for calendar year 2015 was issued in February 2016. Audit results indicated the Executive Director/CIO was in compliance with the SIB Governance Manual Executive Limitation policies A-1 through A-11.

Audit Services also administered an employee opinion survey in January 2016, which provides employees the opportunity to share their opinions regarding the physical office environment and resources, job satisfaction, employee morale, compensation, and immediate supervisors.

Audit Services also assisted the SIB Executive Review Committee in the evaluation of the Executive Director/CIO for the period of January 1, 2015 - December 31, 2015 by administering a survey to the SIB, which evaluated the Executive Director/CIO's level of compliance with the Ends and Executive Limitation policies. Survey results were compiled in April 2016.

Ms. Miller Bowley also stated the Audit Services Division continues to pursue professional development opportunities via the Institute of Internal Auditor's local chapter, Central Nodak.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. RIEDMAN AND CARRIED ON A VOICE VOTE TO ACCEPT THE AUDIT ACTIVITIES REPORT FOR THE PERIOD OF JANUARY 1, 2016 - MARCH 31, 2016.

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

AUDIT PLAN:

Ms. Miller Bowley reviewed the Audit Services workplan, budgeted hours, TFFR participating employer risk assessment, and employer audit plans for the period of July 1, 2016 - June 30, 2017, as well as future years. Significant changes were made to the workplan in an effort to direct activities that are of greatest concern to the SIB Audit Committee, RIO Management, and the external audit partners. After discussion,

IT WAS MOVED BY MS. TERNES AND SECONDED BY MS. RIEDMAN AND CARRIED ON A VOICE VOTE TO ACCEPT THE 2016-17 AUDIT SERVICES WORKPLAN.

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

AUDIT CHARTER:

Ms. Miller Bowley stated at the February 25, 2016, Audit Committee meeting the Audit Committee reviewed proposed revisions to the current audit charter and requested that staff submit the charter to legal counsel for review. Legal counsel, Ms. Jan Murtha, completed the review and indicated the charter is acceptable in its current format but also provided suggestions for the Audit Committee's consideration. After discussion,

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. RIEDMAN AND CARRIED ON A VOICE VOTE TO APPROVE THE ADOPTION OF THE CHARTER BASED UPON THE CURRENT DISCUSSION AND AUTHORIZE STAFF TO DO THE WORDSMITHING TO REFLECT THE REVISIONS DISCUSSED PRIOR TO SUBMITTING THE CHARTER TO THE SIB FOR APPROVAL.

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

Ms. Miller Bowley also informed the Audit Committee RIO personnel would be formalizing a Fraud Reporting policy, which will be included in the office administrative policy manual. Ms. Miller Bowley inquired of the Audit Committee if language could be included that would site the Audit Committee as a body where a confidential report of fraudulent activity could be made. The Audit Committee concurred that the appropriate language should be included.

AUDIT COMMITTEE MEMBERSHIP:

Ms. Miller Bowley stated the Audit Committee's membership has a one-year term and will expire on June 30, 2016. Ms. Miller Bowley requested the Audit Committee inform her if they would or would not like to continue to serve on the committee by June 1, 2016.

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA):

Ms. Miller Bowley notified the Audit Committee the Retirement and Investment Office has received a Certificate of Achievement for Excellence in Financial Reporting from GFOA. This marks the 18th consecutive year that RIO will have been awarded this honor. Mr. Hunter will publish the news in the office publications that he feels would be appropriate.

OTHER:

The next Audit Committee meeting is scheduled for Friday, September 23, 2016 at 1:00 pm 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 5:04 p.m.

Respectfully Submitted:

Ms. Rebecca Dorwart, Chair
SIB Audit Committee

Bonnie Heit
Assistant to the Audit Committee