

AUDIT COMMITTEE MEETING

Tuesday, March 25, 2025 – 2:30 PM
Virtual Only

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AGENDA

- I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA** – *(Committee Action)*
- II. **APPROVAL OF MINUTES (November 18, 2024 & February 5, 2025)** - *(Committee Action)*
- III. **GOVERNANCE (20 minutes)**
 - A. Legislative Update *(Information)* – Ms. Smith
 - B. Summary Report for Pioneer Project *(Information)* – Ms. Seiler
- IV. **REPORTS (30 minutes)**
 - A. 2024-25 Second Quarter Activities *(Committee Action)* – Ms. Seiler
 - B. Update on Current Audit Activities *(Committee Action)* – Ms. Seiler
- V. **OTHER**

Next SIB Audit Committee Meeting:
Workforce Safety & Insurance Board Room
1600 E Century Ave Suite 1, Bismarck, ND 58503
Thursday, May 8, 2025 @ 2:30 PM
- VI. **ADJOURNMENT**

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
NOVEMBER 18, 2024, MEETING**

MEMBERS PRESENT: Thomas Beadle, State Treasurer, Chair
Dina Cashman, External Representative
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Todd Van Orman, External Representative

STAFF PRESENT: Missy Kopp, Exec. Assistant
Jennifer Ferderer, Fiscal Investment Admin
Jan Murtha, Exec. Director
Chad Roberts, DED/CRO
Sara Seiler, Suprv. of Internal Audit
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor

GUESTS: Thomas Rey, UHY

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:30 p.m. on Monday, November 18, 2024, at the WSI Board Room, 1600 E Century Ave., Bismarck, ND.

The following Audit Committee members were present representing a quorum, Treasurer Beadle, Ms. Cashman, Mr. Mickelson, Mr. Miller, and Mr. Van Orman.

AGENDA:

The agenda was considered for the November 18, 2024, meeting.

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MS. CASHMAN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 18, 2024, MEETING AS DISTRIBUTED.

AYES: MS. CASHMAN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

MINUTES:

The minutes were considered for the August 14, 2024, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. CASHMAN AND CARRIED BY A VOICE VOTE TO ACCEPT THE MINUTES FROM THE AUGUST 14, 2024, MEETING.

AYES: MR. VAN ORMAN, MR. MICKELSON, MR. MILLER, MS. CASHMAN, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

GOVERNANCE:

FY 2024 Financial Report and GASB 68 Schedule Audits Update:

Mr. Thomas Rey, UHY, presented the year end financial statement audit report for fiscal year (FY) 2024. The independent auditors' report returned an unmodified, clean opinion that the financial statements are presented fairly, in all materials respects, in conformity with US generally accepted accounting principles (GAAP). A report on internal controls had no material weaknesses or deficiencies identified. The Committee was provided with all required governing body communications. Committee discussion followed.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE FY24 FINANCIAL REPORT AUDIT.

AYES: MR. MILLER, MS. CASHMAN, MR. MICKELSON, MR. VAN ORMAN, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

Internal Audit Co-Sourcing Request for Proposal (RFP):

Ms. Murtha provided an overview of the RFP for Internal Audit Co-Sourcing which would provide assistance to Internal Audit (IA) staff with the approved audit plan which includes focused audits on the internal investment program. The Committee discussed the contract details, method of review and finalist interviews.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. CASHMAN AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE INTERNAL AUDIT CO-SOURCING RFP AND TO BRING FINALISTS TO THE AUDIT COMMITTEE FOR INTERVIEWS AND SELECTION.

AYES: MR. VAN ORMAN, MS. CASHMAN, MR. MICKELSON, MR. MILLER, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

REPORTS:

Executive Limitations/Staff Relations:

Ms. Murtha provided an update on staffing, current projects, and legislative planning. RIO participated in the state engagement survey again this year. The results will be presented to both boards. RIO continues to exceed the mean scores for state agencies over all categories. Committee discussion followed.

First Quarter Audit Activities:

Ms. Thorsen provided the first quarter audit activities update. Internal Audit (IA) staff are gathering information needed to complete the annual Executive Limitations audit. For the retirement program, the File Maintenance audit is in process and expected to be completed in February. IA staff participated in user acceptance testing and the employer group for the Pioneer project. Committee discussion followed.

Current Audit Activities:

Ms. Thorsen reviewed current IA activities. A lot of time has been spent working on the Pioneer project. IA staff assisted UHY with the GASB schedule audit. Staff will work with the Audit Committee to schedule a special meeting for finalist interviews for the Internal Audit Co-Sourcing RFP. Committee discussion followed.

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE FIRST QUARTER AUDIT ACTIVITIES AND CURRENT AUDIT ACTIVITIES REPORTS.

AYES: MS. CASHMAN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 3:35 p.m.

Prepared by: Missy Kopp, Assistant to the Board

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
FEBRUARY 5, 2025, SPECIAL MEETING**

MEMBERS PRESENT: Thomas Beadle, State Treasurer, Chair
Dina Cashman, External Representative
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Todd Van Orman, External Representative

STAFF PRESENT: Missy Kopp, Exec. Assistant
Emmalee Riegler, Procurement/Records Coordinator
Chad Roberts, DED/CRO
Sara Seiler, Suprv. of Internal Audit
Jodi Smith, Interim Executive Director
Dottie Thorsen, Internal Auditor

GUESTS: Chad Keech, State Procurement

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:32 p.m. on Wednesday, February 5, 2025. The meeting was held virtually.

The following Audit Committee members were present representing a quorum, Treasurer Beadle, Ms. Cashman, Mr. Mickelson, Mr. Miller, and Mr. Van Orman.

AGENDA:

The agenda was considered for the February 5, 2025, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE FEBRUARY 5, 2025, MEETING AS DISTRIBUTED.

AYES: MS. CASHMAN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

INTERNAL AUDIT CO-SOURCING SERVICES PRESENTATIONS:

Presentation 1:

IT WAS MOVED BY MS. CASHMAN AND SECONDED BY MR. MILLER AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6) AND 54-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.

AYES: MS. CASHMAN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

The executive session started at 2:36 p.m. and ended at 3:10 p.m. The session was attended by Committee members, staff, Mr. Keech, and representatives from the vendor.

Presentation 2:

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. CASHMAN AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6) AND 54-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.

AYES: MR. MILLER, MS. CASHMAN, MR. VAN ORMAN, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

The executive session started at 3:13 p.m. and ended at 3:39 p.m. The session was attended by Committee members, staff, Mr. Keech, and representatives from the vendor.

Committee Discussion and Selection:

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6) AND 54-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.

AYES: MR. VAN ORMAN, MR. MILLER, MS. CASHMAN, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

The executive session started at 3:44 p.m. and ended at 4:02 p.m. The session was attended by Committee members, Mr. Keech, and staff.

IT WAS MOVED BY MR. MILLER AND SECONDED BY MS. CASHMAN AND CARRIED BY A ROLL CALL VOTE TO DIRECT STAFF TO MOVE FORWARD WITH CONTRACT NEGOTIATIONS WITH THE FIRM MOST SUSCEPTIBLE TO AWARD.

AYES: MR. MICKELSON, MR. MILLER, MS. CASHMAN, MR. VAN ORMAN, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 4:06 p.m.

Prepared by: Missy Kopp, Assistant to the Board

2025-2027 Legislative Session RIO Bill Tracker

Bill #	Topic	Description	Sponsor	Hearing Date	Committee	Status	Position
HB 1015	Budget bill	OMB Budget bill	Appropriations Committee	n/a	Senate Appro - Govn't Ops	Passed in House, 83-6. Senate rec'd.	Monitor
HB 1022	Budget bill	RIO's Budget bill	Appropriations Committee	03/27, 8:30 a.m. Committee Work, Harvest	Senate Appro - Human Resources	Passed in House, 73-16. Senate rec'd, referred to Appro. Amended, do pass 5-0.	Support
HB 1026	Investment	Moving State Bonding Fund from Insurance to OMB	Legislative Management	n/a	Senate Industry & Business	Passed House, 89-0. Senate rec'd, referred to Industry & Business.	Neutral
HB 1027	Investment	Moving Fire & Tornado Fund from Insurance to OMB.	Legislative Management	n/a	Senate Industry & Business	Passed House, 87-5. Senate rec'd, referred to Industry and Business	Neutral
HB 1117	Retirement	TFFR Required Minimum Distribution	TFFR via Gov't Vets Affairs	n/a	n/a	Passed House, 87-0. Passed Senate, 47-0. Sent to Governor.	Support
HB 1176	Investments	Authorizes the Legacy Fund to provide enough earnings to pay for a residential property tax credit of up to \$2,000 annually per homeowner.	Rep. Nathe, Sen. Bekkedahl, Rep. Hagert, Rep. Headland, Sen. Hogue, Rep. Lefor, Rep. Porter, Sen. Rummel, Rep. Stemen, Rep. Swiontek, Rep. Vigesaa, Sen. Weber	03/24, 2:00 p.m. Hearing	Senate Appro	Passed in House, 81-10. Senate Fin & Tax do pass, 6-0-0. Referred to Senate Appro.	Neutral
HB 1319	Investments	Relating to a Legacy Fund disclosure website	Rep. Satrom, Sen. Conley, Rep. Ostlie	03/25, 9:00 a.m. Committee Work, Ft Union	Senate Industry & Business	Passed in House, 92-1-1. Senate rec'd, referred to Industry & Business.	Support
HB 1330	Investments	Relating to divestment from legacy fund investments in Chinese companies.	Rep. Satrom, Sen. Conley, Rep. Grueneich, Sen. Lemm, Rep. Ostlie	03/25, 9:30 a.m. Hearing, Ft Union	Senate Industry & Business	Passed in House, 75-7. Senate rec'd, referred to Industry & Business.	Oppose
HB 1510	Retirement	Requires BND, TFFR, and a teacher support program coordinator to gather information from school districts about their teacher pay and benefits.	Rep. Schreiber-Beck, Rep. Conmy, Sen. Davison, Rep. Hager, Rep. Hanson, Sen. Hogan, Rep. Longmuir, Rep. McLeod, Rep. Novak, Rep. Richter, Sen. Rummel, Rep. Swiontek	n/a	Senate Education	Passed in House, 82-11. Senate rec'd, referred to Education.	Monitor
HB 1580	Budget bill	Requests an interim study of the compensation system for classified state employees, including comparisons to private sector compensation and employee retention and equity bonuses.	Rep. Vetter, Rep. Christianson, Sen. Cleary, Sen. Cory, Rep. Dockter, Rep. D. Johnston, Rep. Meier, Rep. Motschenbacher	n/a	Senate State & Local Gov	Passed House, 72-18. Senate rec'd, referred to State & Local Govn't.	Monitor
HCR 3001	Investment	Encouraging the Treasurer and SIB to invest a portion of General Fund/Budget Stabilization/ Legacy in digital assets and precious metals.	Reps. Toman, Heilman, Hendrix, D. Johnston, S. Olson, Porter, and Sens. Barta, Paulson	n/a	Senate Industry & Business	Passed House, 83-5. Senate rec'd, referred to Industry & Business.	Neutral

SB 2072	Procurement	Red tape reduction relating to the contracts limiting liability to the state (the issue being we can't accept many low-cost, web-based application's terms and conditions due to state law).	Senate State and Local Govn't at request of OMB.	n/a	n/a	Passed Senate, 46-0. Passed House, 91-0. Signed by the Gover.	Support
SB 2097	Investments	Creation of a Rural Community Endowment Fund and including under 21-10.	Sens. Mathern & Wanzek, Rep. Brandenburg	n/a	House Human Services.	Passed Senate, 31-16. House rec'd, referred to Human Services.	Neutral
SB 2134	Retirement	Calls for a change in language to allow the Superintendent and Treasurer to appoint a designee to the TFFR Board	Senator Roers	n/a	n/a	Passed Senate, 47- 0. House Political Subs rep'd back, do pass, placed on consent calendar, 12-0-1.	Support
SB 2332	Investments	Creates an biennial transfer of \$25M from the legacy earnings fund to the emergency services fund	Sen, Boshee, Rep, Vandenberg, Rep. Mitskog, Rep. Nelson	n/a	n/a	Passed Senate, 47-0. Passed House, 79-12. Signed by Governor.	Neutral

MEMORANDUM

TO: SIB Audit Committee
FROM: Internal Audit Staff
DATE: March 19, 2025
RE: Summary Report for the Pension Administration System Software

This report summarizes the process, and the procedures completed to implement the new Pension Administration System (PAS) for the Teachers' Fund for Retirement. There were three phases.

To start the process, RIO staff committed to many hours of meetings starting in 2019 through May 2022 (Kick-off meeting with Sagitec). The audit, retirement, fiscal, and IT staff participated in the meetings held. Staff reviewed existing business processes, communications, accounting, IT, and audit processes. Meetings were then held to discuss the efficiencies and processes wanted from the new system. To improve efficiency and decrease errors, IA provided a list of internal controls to be incorporated into the new system.

After the Kick-off meeting with Sagitec in May of 2022, RIO staff attended elaboration meetings, participated in User Acceptance testing, worked with other state agencies (DPI/ESPB, PERS-dual members, NDIT, OMB) and prepared for Going Live with the TFFR members and employers.

Fiscal year 2019:

RIO Management worked with the Governor's Office and set-up a steering committee for the project.

Fiscal year 2020:

- Covid occurred.
- The Deputy Executive Director/Chief Retirement Officer and Retirement Program Manager retired.
- New Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager and Retirement Program Specialist were hired.
- Internal Audit started a task review of all retirement program positions, administrative positions, and information technology for the period of a year. A report was issued to the SIB Audit Committee in August 2020.

Fiscal year 2021: Phase I

- A request for proposal (RFP) for a consultant was developed by the Deputy Executive Director/CRO, Retirement Program Manager, Chief Financial Officer, and the Audit Supervisor.
- The completed RFP was issued June of 2020.
- Contract negotiation was completed and awarded to Segal August of 2020.
- During July, August, and September 2020, RIO set-up committees for staff to complete a review of existing processes and procedures.

- Segal worked with RIO staff in November 2020, December of 2020, and January of 2021. Different committees were established to work with Segal staff: employer accounting, retirement processes, communications, and IT. During the discussions, RIO staff voiced their wants for the new PAS system.
- Segal evaluated RIO and presented a report on Benefits Communications Best Practices.
- In March of 2021, Segal presented the following reports to the TFFR Board: Current and Future Business Models and a Cybersecurity Assessment.
- April and May of 2021, Segal and RIO management developed an RFP for the new Pension Administration System. The RFP was issued June of 2021.

Fiscal year 2022: Phase 2

- RIO received responses to the RFP in July 2021.
- Segal set-up three vendor demonstrations for RIO staff to attend with the finalist. The demonstrations were four to six hours each. Discussions occurred among staff after each demonstration.
- Vendor selection was completed in November/December of 2021.
- Executive Steering Committee approved the contract with Sagitec and Sagitec signed the contract during the third quarter of 2021/22.
- The on-site Kick-off between staff and Sagitec occurred May 2022.

Fiscal year 2023: Phase 3

- Multiple meetings were held in June, July, and August. In each meeting, RIO staff and Sagitec staff reviewed and clarified the list of RIO requirements for Neospin. Meetings held were as follow: accounting, activity tracking, annual statements, benefit estimates, business rules, deaths, disabilities, dual members, employer accounting, enrollment, financial processing, interest, payroll/other payments, member/beneficiary maintenance, purchases, records retention, refunds, retirement calculations, report management, statistical reporting, tax reporting, and workflow.
- In October 2022 through March 2023, IA attended elaboration/design meetings and weekly meetings. In these meetings for each process, procedure, business process management workflow (BPM), and mathematical calculations/logic/business rules were discussed and documented by the Sagitec. Internal controls were programmed in the new system to help with efficiency of completing processes with as few errors as possible.

Fiscal year 2024:

- Starting August of 2023, sessions focused on the design, appearance, and usability of the employer and member portals. IA staff attended multiple sessions and weekly meetings.
- RIO staff and employers attended TFFR education sessions introducing Neospin.
- User Acceptance Testing (UAT) started December 2023 and continued through May 2024. Operational staff members tested the business processes in the training environment to ensure that the system functioned appropriately. IA attended multiple meetings and testing sessions.
- Meetings were held with three software vendors and other business partners in the development of the upload programs for the conversion to Neospin.
- Retirement Services held multiple seminars to start the process of preparing the employers for the conversion.
- Data migration moved forward, and FileNet document migration was completed.

Fiscal year 2025:

- User testing started in July 2024 continued through December. PIR testing continues to the current date.
- Sagitec provided training to RIO staff for the employer reporting module in July 2024.
- Multiple training sessions by Sagitec were held for line of business operations (retirements, withdrawals, purchases, etc.).
- Elaboration sessions were held.
- Retirement Services presented education seminars to the employers.
- In September 2024, Committees were established to prepare for Go-Live. MSS worked on preparing for the TFFR members, ESS worked on preparing the employers, IT assisted all groups, and accounting processes. Each Committee set-up training schedules for the users, reviewed and edited user manuals Sagitec provided, training was developed and held for employers (multiple teams sessions) that were recorded, updated the RIO's website with the login, MyTFFR manual, and education recordings, and schedules for communications to members and employers were developed.
- Discussions were held and Go-Live Date was set for February 10, 2025.
- January 15, 2025, was the last day for employers to report on CPAS.
- January 30, 2025, started the blackout period for RIO staff on CPAS.
- February 10, 2025, RIO staff started production in Neospin. Sagitec staff was onsite the week of February 10th and the week of February 24th.

COMMITTEE ACTION REQUESTED: Informational only.

RETIREMENT AND INVESTMENT OFFICE
Internal Audit
2024-2025 Second Quarter Audit Activities Report
October 1, 2024 – December 31, 2024

The audit objective of Internal Audit (IA) is twofold: first, to provide comprehensive, practical audit coverage of the Retirement and Investment Office (RIO) programs; second, to assist RIO management and the State Investment Board (SIB) by conducting special reviews or audits.

Audit coverage is based on July 1, 2024, through June 30, 2025, work plan approved by the SIB Audit Committee. The audit activities undertaken are consistent with the Internal Audit charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO and the concerns of management and the SIB Audit Committee.

Investment and Agency Audit Activities

• **Executive Limitation Audit**

On an annual basis, IA reviews the Executive Director's level of compliance with the SIB Governance Manual Executive Limitation Policies. The audit is reviewing the calendar year of 2024. The Internal Audit staff will continue to do quarterly reconciliations for the Executive Limitations Audit. With the update to the governance manual and all the changes occurring at RIO, this change ensures that throughout the year, documentation will not be missed as part of the Executive Limitations Audit.

This audit is in progress.

• **Executive Search Committee**

The Executive Director and the Chief Financial Officer/Chief Operating Officer resigned from RIO as of December 31, 2024. The Supervisor of Internal Audit is a member of the Executive Search Committee and attended a meeting in December of 2024. An interim Executive Director, Jodi Smith, was selected by the SIB Board to start on January 13, 2025. The Committee is moving forward to develop an RFP to select a search firm for both positions.

• **Exit Interview**

The Internal Auditor completed an exit interview with a temporary employee who left for full time employment in October 2024. The comments were reported to the Executive Director.

• **External Audit Assistance**

The Internal Auditor provided assistance requested by the external auditor, UHY. One of the employers selected for the GASB Audit was not returning requested information. IA sent the employer a final request for information with a potential penalty clause. The information was provided to UHY.

• **Internal Audit Maturity Development Project**

Weaver presented their report to the SIB Audit Committee on August 14, 2024. The project provided a foundation for IA that conforms with the 2024 IIA Standards. The project has allowed IA to meet their medium-term goal by establishing or refining processes necessary to conform with the Standards. The project also achieved consistent execution of these processes throughout 2024-2025 to reach the long-term goal.

The following projects were completed: the Audit Committee and IA Audit Charters are now compliant with the 2024 IIA Standards; a risk assessment over the investment and fiscal divisions of NDRIO and a risk-based multi-year internal audit plan was completed; IA staff completed a risk assessment for the Retirement Division; an IA Manual meeting the 2024 IIA Standards was provided (it also included consulting engagement procedures); standard documentation/work paper templates which are compliant with the 2024 Standards were completed; and planning/ work paper templates based on procedures in the Audit Manual were completed.

The State Investment Board (SIB) approved the charters at the meeting held on September 27, 2024.

The SIB Audit Committee was provided with final copies of the charters after approval by the SIB Board in the meeting materials for the November Audit Committee meeting.

- **Internal Audit Co-Sourcing request for proposal**

Through the risk assessment and a resource assessment completed and presented by Weaver at the August 2024 Audit Committee meeting, additional resources to meet the audit plan are needed. The Audit Committee approved internal audit staff and senior management to propose a request for proposal (RFP) for additional audit resources to perform internal audits for the investment and fiscal divisions. This would be approximately 2-3 audits a year that would be a combination of co-sourcing and outsourcing depending on the availability of internal audit staff.

An RFP was presented to the SIB Audit Committee at the November 18, 2024 meeting for approval. The Audit Committee approved the RFP to be issued. A special SIB Audit Committee meeting was held for the presentations and selection of the consultant on February 5, 2025.

Retirement Program Audit Activities

- **TFFR File Maintenance Review**

IA of the Retirement and Investment Office (RIO) is reviewing the system generated (CPAS) audit tables to ensure transactions initiated by RIO staff are expected and appropriate given the role in the organization. The processes for entering information from member action forms, change of address forms, and direct deposit forms are also reviewed. A sample of members will be reviewed for each of the processes to verify the information on the form is the same as the information in the system. A sample of deaths, disabilities, purchases, refunds, and retirements will also be reviewed.

The review is in progress. IA plans to have it completed by the May 2025 Audit Committee meeting.

- **TFFR Pioneer Project**

User acceptance testing (UAT) continued during this timeframe. Operational and IA staff attended and tested the business processes in the training environment to ensure that the system was functioning appropriately.

IA staff also attended testing sessions and meetings on the following modules: Actuarial/ACFR, dual members, employer self-service, lifecycle, member self-service, PIR, retired teachers returned to teach, year-end, and weekly meetings.

IA staff attended the following training sessions: Annual Actuarial/ACFR reporting, benefit annual statement, dual interface, dashboard, employer portal, life cycle training, meeting set-up, member portal, and retired teachers returned to teach.

In September of 2024, the PAS project manager set-up the following three groups: Employer Self-

Service (ESS), Fiscal Accounting, and Retirement Self Service. Each of these groups were assigned with duties preparing for cut-off/go-live and working with membership. IA staff was assigned to the ESS group along with the Compliance Officer, Retirement Accountant, and an Administrative Assistant. The Communications and Outreach Director assisted with drafting notifications and assisted with meetings with the employers and members as needed.

Tasks assigned and completed by the ESS group during the second quarter were as follows: set-up a schedule of notifications sent to the employers; established a training schedule (one vendor training session and multiple MyTFFR Office hours), training material (manual found on the RIO website), training media for employers (recordings found on the RIO website); monitored employers logging into the new system testing region; completed education on the enrollment file, payroll file, and paying an invoice; worked with the three software vendors and NDIT if issues were found through testing; and worked with the Accounting group in establishing cut-off dates and activities for the employers and RIO staff.

RIO went live as was scheduled on February 10, 2025.

Administrative Activities

The IA staff attended the monthly RIO staff meetings, monthly RIO manager's meetings, divisional meetings, monthly Fiscal/Organization meetings, monthly Retirement Services' meetings, one Audit Committee meeting, two SIB meetings, one TFFR meeting, and TFFR/SIB agenda meetings.

- **Records Retention**

IA has a retention schedule for the audit files and records. Annually, the schedule is reviewed to determine if changes need to be made. The annual purge of information started in the second quarter to meet the schedule set by NDIT Records Management. Almost all the audit files and records are currently electronic. IA maintains a table of contents for the information that describes the audit and what files are found on the audit drive. The table of contents is annually updated at the same time. The annual purging of files was completed in December 2024.

Professional Development/CE/General Education

IA staff completed NDIT Cyber awareness training.

MEMORANDUM

TO: SIB Audit Committee
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: March 19, 2025
RE: Current Internal Audit Activities

Internal Audit (IA) typically has multiple audits going on at the same time in different stages. The following is the status of current audits in progress:

Phase 1 – Planning and Notification
Phase 2 – Fieldwork
Phase 3 – Communication with Staff
Phase 4 – Writing Report
Phase 5 – Final Report and Management Response

Internal Audit Activities In-Progress

- TFFR File Maintenance Audit – Phase 2
- Pioneer – Pension Administration Software – in production – PIR testing
- Executive Limitations – Phase 2

RIO/Investment Activities

IA staff attended the following meetings: monthly staff meetings, monthly Fiscal/Organization meetings, TFFR/SIB Agenda Planning, and monthly Retirement Services meetings. IA staff also attended the State Investment Board and Teachers Fund for Retirement board meetings.

In November 2024, both the Executive Director and the Chief Financial Officer/Chief Operating Officer resigned. An Executive Search Committee was appointed by the SIB. At the January meeting, the Committee selected the Supervisor of Internal Audit to be the staff member for the Committee. Since then, a request for proposal (RFP) was developed for the recruitment services for both positions. The Supervisor of Internal Audit worked on onboarding the interim Executive Director. An RFP was issued and evaluations done. CBIZ EFL Associates is the firm that the Executive Search Committee selected. Additional meetings were held to kickoff the search.

In January 2025, IA Supervisor completed two exit interviews for staff members. The exit interview remarks were given to the interim Executive Director.

As part of the IA Modernization project, the Audit Committee approved an RFP for co-sourcing as needed for audits for the investment and fiscal divisions. The internal audits will be determined by a risk-based audit plan approved by the Audit Committee. Responses for the RFP were received in January 2025 and scored. The Audit Committee held a special meeting in February 2025 and

selected Weaver for the co-sourcing relationship. Staff has been working with Weaver on getting the first audit of external investment oversight kicked off.

The Supervisor of Internal Audit attended the Executive Review Compensation Committee (ERCC) meetings. Per the ERCC charter the internal audit assists the ERCC in administering of the performance surveys of the Chief Investment Officer and the Deputy Executive Director/Chief Retirement Officer. Both of these surveys are in process and results will be presented to the ERCC. Internal Audit also administers the board self-assessment. The self-assessment was sent to board members in January 2025 and the ERCC will review the results at their April meeting.

The State's Auditors Office is issuing an RFP for the financial state audit of RIO for the next 3 years. The RFP closes on April 23, 2025, and an intent to award is tentatively set for first week of May.

The investment compliance program is currently being developed through Weaver. Internal Audit will be in an advisory role as policies and procedures are being developed and attends bi-weekly meetings.

TFFR Activities

The Pioneer Project went live on February 10, 2025. Internal Audit staff attended various training and meetings for the system. Internal Audit worked with the Chief Retirement Officer reviewing roles and access prior to the system going live for staff members. Internal Audit staff also attends weekly meetings on the status of the system going live.

For the TFFR File Maintenance Audit, the Internal Auditor is reviewing transactions found on the CPAS Table reports for Fiscal, IT, and Retirement Services staff members.

Upcoming Audit Activities

Internal Audit will be updating the risk assessment to develop an audit workplan for the upcoming year.

Internal Audit will be working with Weaver on the external investment oversight audit.

Annual performance evaluation will be completed.

COMMITTEE ACTION REQUESTED: Committee Acceptance.