

DRAFT

**AUDIT SUBCOMMITTEE OF THE
NORTH CAROLINA SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES**

MINUTES OF MEETING

March 19, 2014

Time and Location: The Audit Subcommittee (the “Subcommittee”) of the Supplemental Retirement Board of Trustees (the “Board”) met at 1:00 p.m. on Wednesday March 19, 2014 at the Caswell Building, 200 West Jones Street, Raleigh, North Carolina.

Members Present: The following members were present: Walt Gray, Melinda Baran, and Gene Hamilton.

Staff and Guests Present: The following staff and guests attended the meeting. From the Department of State Treasurer: Mary Buonfiglio, Rekha Krishnan, Joan Fontes and Mary Laurie Cece. From CliftonLarsonAllen: Thomas Rey.

AGENDA ITEM – WELCOME AND INTRODUCTIONS

The meeting was called to order by Ms. Buonfiglio at approximately 1:05 p.m. Ms. Buonfiglio welcomed everyone.

AGENDA ITEM – ETHICS AWARENESS & IDENTIFICATION OF CONFLICTS OR POTENTIAL CONFLICTS OF INTEREST

Ms. Buonfiglio asked Subcommittee members to review the agenda for the meeting and identify any actual, implied, or potential conflicts of interest. There were no conflicts identified.

401(k)/457(b) PLANS AUDIT

Ms. Buonfiglio stated the purpose of today’s meeting is to begin the audit process. She explained that as part of the initial audit process the auditor’s meet with the Subcommittee so the Subcommittee member may express any concerns they may have. Ms. Buonfiglio noted that the Subcommittee members could ask the staff to be excused if they wanted to speak to Mr. Rey in private. Ms. Baran asked about the scope of the audit. Ms. Buonfiglio explained it will be an audit of the Plans’ financial statements to go into the CAFR. Also the audit will look at Prudential’s compliance controls with regard to participant information. This, however, is just to test controls as they relate to the financial statements. Mr. Rey also clarified it is not a compliance audit, but they will make staff aware if there are any issues they uncover.

Ms. Buonfiglio turned the meeting over to Mr. Rey. Mr. Rey stated that he would have two meetings with the Subcommittee. He thinks this is the most important one because from a

planning perspective, he would like to address any concern the Subcommittee has. The second meeting is to share results.

Mr. Rey gave some history and background on his firm CliftonLarsenAllen (“CLA”). He manages a national team that works exclusively with governmental defined contribution and defined benefit plans. He has no concerns with their initial review of the NC plans. Mr. Rey stated that every time there is a first year audit, there is a learning curve, but he believes this will be an easy transition. He then described three critical areas of substantive testing that he will perform in the audit: investments, contributions and distributions.

Ms. Baran asked with regard to the 403(b) if the districts will be audited. Ms. Buonfiglio stated that since the state is the Program Sponsor, not Plan Sponsor, it is not necessary

Mr. Gray asked about areas of concern with a new audit. Mr. Rey stated that it is important to look at previous management letters and review prior year work papers. Mr. Gray asked if there have been any issues with the prior auditor. Mr. Rey said that PricewaterhouseCoopers has answered his questions, but had not given him open access to prior work papers. He doesn't think this will be an issue as there are other ways to obtain beginning balances. Ms. Buonfiglio asked if the Subcommittee wanted her to contact PricewaterhouseCoopers. The Subcommittee members said not unless Mr. Rey would like staff to do so. Mr. Rey did not think it was necessary at this time.

At this time, Ms. Baran made motion to adjourn. Mr. Gray seconded and the meeting is adjourned at 1:40 p.m.

CHAIR