



## MINUTES

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

The meeting of the Audit Subcommittee was called to order at 2:00 p.m., July 14, 2021, by the Chair, State Treasurer Dale R. Folwell, CPA. The meeting was held in a hybrid format, with most people attending via teleconference and some attending in person in the Dogwood Conference Room of the Longleaf Building at 3200 Atlantic Avenue, Raleigh, NC 27604. The Chair indicated there would be a public comment period for organizations and individuals to address the Subcommittee later in the agenda.

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#### **Members Present**

The Audit Subcommittee members attending: Treasurer Dale R. Folwell (in person), Melinda Baran (in person); Steve Beam (by phone); and Michael Lewis (by phone).

#### **Members Absent**

No subcommittee members were absent.

#### **Guests Present**

The guests attending were: Thomas R. Rey, Jr. from CliftonLarsonAllen (by phone).

#### **Department of State Treasurer Staff Present**

The staff members attending (in person) were: Tom Causey, Reid Chisholm, Jeff Hancock, Alan Jaquith, Rekha Krishnan, Fran Lawrence, and Loren de Mey.

The Chair called the meeting to order and reminded members that, since this meeting is being held in a hybrid format in person and virtually by teleconference, members must announce their names when they arrive, when they depart, and when speaking. He explained that all votes will be taken by roll call and that making a motion will be assumed to be a vote for the proposal.

#### **Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest**

The Acting Chair asked, pursuant to the ethics rules, about conflicts of interest of subcommittee members. No conflicts of interest were identified by the subcommittee members.

#### **Auditor's Report and Approval of 2020 Financial Statements for the NC 401(k) and NC 457 Plans**

The Chair recognized Mr. Thomas Rey to present the results of the 2020 audit of both plans. Mr. Rey noted that the audit document presented is a draft and that ultimately the letter will state that it is an "unmodified opinion" (i.e., "clean" opinion, formerly "unqualified" opinion) regarding the financial statements of the NC 401(k) and NC 457 Plans as prepared by the Department of the State Treasurer. He emphasized that this is an audit of the financial statements and the risks surrounding the plan. It is not an audit of operational or internal controls. Also, he commented that the auditors found no material weaknesses or significant deficiencies; there are no footnotes needed to disclose additional findings.

Mr. Rey shared that every audit report must include a management discussion and analysis section, which appears on pages 3 – 10. He noted that 2020 was a positive year for both Plans.

He said that summaries of basic balance sheet items showing the source of the net increases appear on page 4 for the NC 401(k) Plan and on page 6 for the NC 457 Plan.

Mr. Rey commented that as part of the yearly audit process, CLA conducts testing at the employer level. He mentioned that CLA has observed an uptick in errors and shared that in CLA's review of the City of Charlotte, CLA uncovered some improper handling of vacation time payments. He said that this was not big in terms of the overall financial statements. He said that CLA went back seven years in their review and that he would consider this low risk.

Mr. Rey offered his kudos to the Department and to the committee; he commented that testing in this manner at the employer level is not typically part of the audit process. He said that this is a testament to how the Department accepts fiduciary responsibility and shows good internal controls.

Mr. Jeff Hancock commented that employer testing each year includes the 10 largest employers in the state, plus another 15 employers chosen at random. He stated that the Department worked closely with CLA throughout the process and that the Department is comfortable that these findings are low risk.

In response to a question by the Chair, Mr. Tom Rey and Ms. Fran Lawrence confirmed that the plans have a clean audit.

The Chair noted that any Subcommittee members who wish to speak with the auditor confidentially and without the staff present would be given that opportunity. The Subcommittee members had no confidential questions for the auditor and thanked Mr. Rey and the CLA team for their work.

The Chair entertained a motion to approve the audited 2020 financial statements for the NC 401(k) and NC 457 Plans. Ms. Baran made a motion to approve and Mr. Lewis seconded. The motion passed unanimously.

#### **Audit Subcommittee Comments**

Mr. Beam thanked the SRP staff and CLA team for a good, solid report and the other Subcommittee members concurred.


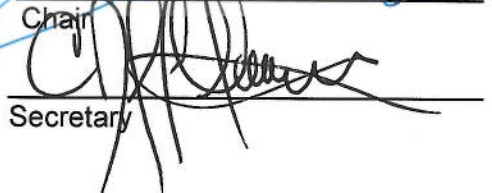
#### **Public Comments**

No comments were offered.

The Chair thanked everyone for participating and announced the next quarterly SRP Board of Trustees meeting will be held Thursday, August 26, 2021 at 9:00 a.m.

#### **Adjournment**

There being no further business before the Subcommittee, Ms. Baran moved to adjourn, and Mr. Beam seconded the motion. The motion passed by a unanimous roll call vote of 4-0. The meeting adjourned at 2:18 p.m.

  
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Chair  
  
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Secretary