



North Carolina
Total Retirement Plans
401k | 457 | 403b



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

DRAFT
MINUTES

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

The meeting of the Audit Subcommittee was called to order at 10:02 a.m., February 22, 2019, by the Chair, State Treasurer Dale R. Folwell, CPA. The meeting was held 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.

Members Present

The subcommittee members present were: Treasurer Dale R. Folwell, CPA; Melinda Baran and Michael Lewis (by telephone).

Members Absent

No subcommittee members were absent.

Guests Present

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

Department of State Treasurer Staff Present

The staff members present were: Mary Buonfiglio, Reid Chisholm, Patti Hall, Rekha Krishnan, Fran Lawrence, Loren de Mey, April Morris, Maja Moseley and Steve Toole.

Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest

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

Presentation by Auditor

The Chair recognized Mr. Rey and added that due to his prior commitment Mr. Toole would serve as Acting Chair for the remainder of the meeting.

Mr. Rey noted that the meeting is an opportunity for the subcommittee members to engage the auditor, ask questions and provide feedback. He directed the attendees' attention to the presentation deck included in the meeting materials and summarized the highlights of several sections, including: the firm's background and the auditor's industry knowledge; scope of the audit; as well as the fiduciary roles and responsibilities of the Subcommittee members. Mr. Rey discussed the audit methodology in depth and provided a detailed description of each of the two audit phases: the review of internal controls and the substantive testing.

Ms. Buonfiglio inquired about the process of vendor Service Organization Controls (SOC 1) reports reviews and Mr. Rey described the methodology and testing steps. Mr. Rey emphasized the growing importance of cybersecurity evaluations and noted that a cyber risk assessment

team assists his team in the review of SOC reports. Ms. Buonfiglio added that the plan's staff conducts regular calls with the recordkeeper's information technology and client service teams dedicated to the topic of data security.

Mr. Rey concluded his presentation with a discussion of risks as they relate to the Subcommittee members' roles and responsibilities. Mr. Lewis inquired about the potential risk to the plans, and Mr. Rey explained that an asset-related fraud material to the financial statements would be unlikely; however, there is a risk associated with member-level fraud. He added that the potential of member funds being redirected to an incorrect account while in transfer is associated with a headline risk rather than a material one.

Audit Subcommittee Comments

No comments were offered.

Public Comments

No comments were offered.

Adjournment

There being no further business before the subcommittee, Ms. Baran moved to adjourn, which was seconded by Mr. Lewis, and the meeting was unanimously adjourned at 10:36 a.m.

Chair

Secretary