



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 10:00 a.m., July 27, 2018, 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 (by telephone), Melinda Baran, Ron Copley (by telephone), and Michael Lewis (by telephone).

Members Absent

No subcommittee members were absent.

Guests Present

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

Department of State Treasurer Staff Present

The staff members present were: Mary Buonfiglio, Reid Chisholm, Joan Fontes, Patti Hall, Joe Hyde, Rekha Krishnan, Fran Lawrence, Loren de Mey, 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.

Legal Update

The Chair recognized Mr. Chisholm who noted that the Board Charter allows the Treasurer to appoint members to the Audit Subcommittee. The Treasurer elected to serve on and as the Chair of the Subcommittee; this nomination will be ratified during the Supplemental Retirement Board of Trustees meeting in September.

Presentation by Auditor

The Chair recognized Mr. Rey and noted that following Mr. Rey's presentation, the staff may leave the meeting to allow the Subcommittee members and the auditor to discuss the financial statements.

Mr. Rey presented the audit results stating that both Plans received an unmodified, clean audit opinion as of December 31, 2017. He also reviewed the Required Communications Letter and the Internal Control letter in the auditor's report. The audit was performed under government accounting standards. No new standards affected the statements and there were no substantial differences to the footnotes or disclosures this year. Mr. Rey noted that the firm had no difficulties in performing the audit, and there were also no material misstatements or audit entries, as well as no disagreements with the management. Additionally, no consultations with other independent auditors took place. CliftonLarsonAllen found no deficiencies or compliance issues within the firm's internal controls system.

Mr. Rey concluded his presentation with a short discussion regarding the Subcommittee members' fiduciary responsibility and the importance of the two annual meetings as fulfillment of this responsibility. Mr. Copley asked what he should do on the Subcommittee from a fiduciary perspective. Mr. Rey noted the importance of (1) the initial meeting of the Audit Subcommittee (which discusses the plan for the audit); (2) listening to and asking questions about the audit; and (3) following up on recommendations from the audit (of which there were none).

In response to a question from Mr. Lewis regarding issues CLA's auditors might have encountered in other retirement plans, Mr. Rey recalled the low level participant fraud incidents, which impacted the North Carolina and other plans nationally. He also noted occurrences of third-party administrators merging plan reporting and payroll reporting. Mr. Rey commented that CliftonLarsonAllen does substantial testing as a part of the audit, including random testing of some employers and, this year, visiting Prudential's administrative office.

The Chair entertained a motion to approve the 2017 financial statements. Ms. Baran so moved and Mr. Copley seconded. The motion passed unanimously.

Audit Subcommittee Comments

No additional comments were offered.

Public Comments

No comments were offered.

Adjournment

There being no further business before the Subcommittee, Mr. Copley moved to adjourn, which was seconded by the Chair, and the meeting was unanimously adjourned at 10:22 a.m.

Chair

Secretary