



**North Dakota
Public Employees Retirement System**

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MEMORANDUM

TO: Audit Committee
Mona Rindy
Adam Miller
Julie Dahle
Dirk Wilke
Senator John Grabinger

FROM: Shawna Piatz, Chief Audit Executive

DATE: August 17, 2020

SUBJECT: **August 17, 2020 Audit Committee Meeting**

In Attendance:

Mona Rindy
Adam Miller
Senator John Grabinger
Julie Dahle
Dean DePountis
Shawna Piatz
Scott Miller
Derrick Hohbein
Rebecca Fricke
Sarah Marsh
Bryan Reinhardt

The meeting was called to order at 3:00 p.m. by Ms. Rindy. The committee began the meeting with approving the prior Audit Committee minutes.

I. May 13, 2020 Audit Committee Minutes

- A. The Audit Committee minutes were examined. Mr. Miller motioned approval of the minutes. The motion was seconded by Ms. Dahle. This was followed and approved by voice vote.

II. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the Internal Audit staff time spent for the past quarter was included with the Audit Committee materials. Of the total hours reported, 58.22% was spent in audit, 12.65% in consulting, and 29.13% in administrative hours. A large portion of the audit hours were spent on auditing the retirement program, as we are reviewing 100% of the new BDS's work and a sample of the rest. The Retirement Program hours increased as

there is new BDS staffing, we are completing a more thorough compliance review of the retirement accounts, and continue working to incorporate the new FAS calculation for those who terminate employment after 12/31/2019. The consulting hours were largely attributable to Internal Audit's assistance with the FY 2020 external audit as well as assistance with a service purchase clean-up project and missed interest reconciliations. Internal Audit also completed the Contract Process Review and started preliminary work with the Sanford Health Plan Interest Calculation Report and Settlement Audit this quarter.

A status update was provided on the 2020 – 2021 Audit Plan for each area of review. Along with the work done in the Retirement Benefit and Refund Payments audit, Internal Audit completed an audit of NDPERS Contract Process, completed preliminary audit work on the Sandford Health Plan interest calculation report, and assisted with numerous consulting projects.

- B. Retirement Benefit Payment Status Report – Information was provided to the Audit Committee, which summarizes the accuracy percentages of the retirement benefit and refund payments. The report shows the number of new retirees or refunds each month, the total number of new retirees or refunds audited and whether issues identified were procedure, system, compliance, or employer issues. For fiscal year 2020, an accuracy rate of 96.33% was achieved for new retirement benefit payments, which was below 97% goal. For fiscal year 2021, an accuracy rate of 92.86% was achieved fiscal YTD as of July 2020 for new retirement benefit payments, which was below 97% goal. 100% J&S and Single Life benefits continue to be the largest new retiree benefit categories. For fiscal year 2020, an accuracy rate of 85.71% was achieved for retirement refunds, which is below our 97% goal. An accuracy rate of 85.71% was achieved fiscal YTD as of July 2020 for retirement refunds, which is below our 97% goal. However, a limited number of retirement refunds were audited and a portion of the sample was focused on those refunds in which a known system issue may have occurred.
- C. Contract Process Review – Internal Audit completed the Contract Process Review. Internal Audit discussed all recommendations found, along with management's responses to each recommendation. This was for the Audit Committee's discussion and review.
- D. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the Audit Committee. The report is in several sections, each representing the type of corrections. These adjustments are considered errors, not adjustments made in the normal course of business. It was noted that the dollar amount of errors significantly declined.
- E. Outstanding Issues Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and to the Audit Committee, the status of the audit recommendations of the external auditors, as well as any found by the Internal Auditor. The report has been updated to reflect what has been accomplished May 1, 2020 through July 31, 2020. Staff reviewed the recommendations with the committee. There were 20 new issues added

from the Contract Process Review, with six outstanding issues that continue to be worked through, four of which that did not have responses.

III. Administrative

- A. Audit Committee Meeting Date & Time – The next Audit Committee meeting is scheduled for Monday, November 9, 2020 at 3:00 p.m.
- B. Deminimus Policy & Internal Review Policies Discussion – The Audit Committee reviewed and approved the revisions to the Deminimus Policy and the Overtime Pay Policy, since the thorough discussions held around these topics during the May Audit Committee meeting. Ms. Dahle made a motion to approved the policies. Mr. Miller seconded the motion, followed and approved by voice vote. The draft policies will be taken to an upcoming Board meeting for their consideration and request for approval.
- C. External Audit Updates – CliftonLarsonAllen (CLA) is performing their fieldwork remotely this year, due to COVID-19 concerns. Internal Audit worked to provide supporting documentation for all items needed, as CLA was not able to obtain remote network access. An exit meeting is tentatively planned for October 2020.

IV. Miscellaneous

- A. Travel Expenditures – There were no out-of-state travel expenditures incurred by the Executive Director or Board for the period May 1, 2020 through July 31, 2020. This was provided for the Audit Committee’s information.
- B. Risk Management Report – Bryan Reinhardt presented updates to the Audit Committee related to the Loss Control Committee activities over the past year and presented their minutes for review. The Loss Control Committee reviewed a number of action items for the previous quarter including disaster recovery training, reviewed and updated the COG plan and NDPERS user access control chart, reviewed outstanding audit recommendations, conducted quarterly office inspections and reviewed agency incident reports.
- C. Report on Consultant Fees – According to the Audit Committee Charter, the Audit Committee should “Periodically review a report of all costs and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided.” A copy of the report showing the consulting, investment and administrative fees paid during the quarter ended June 2020 was provided for the Audit Committee's information.
- D. CPEs and Webinars – A report on the continuing professional education webinars, luncheon meetings and seminars Internal Audit participated in for the period May 1, 2020 through July 31, 2020 was provided to the committee. The Chief Audit Executive attended one webinar and a virtual ND CPA Society Management Conference.

- E. Publications – A copy of Tips for Audit Committees During the Pandemic from the Journal of Accountancy from May 2020 and also 4 Key COVID-19 Audit Risks for 2020 Year Ends from the Journal of Accountancy from June 2020.

Meeting adjourned at 4:05 p.m, by Ms. Rindy.