



**North Dakota
Public Employees Retirement System**

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MEMORANDUM

TO: Audit Committee
Mona Rindy
Adam Miller
Julie Dahle
Mylynn Tufte
Senator John Grabinger

FROM: Shawna Piatz, Chief Audit Executive

DATE: February 12, 2020

SUBJECT: **February 12, 2020 Audit Committee Meeting**

In Attendance:

Julie Dahle (acting committee chair)
Adam Miller (via phone)
Mylynn Tufte (via phone)
Shawna Piatz
Derrick Hohbein
Rebecca Fricke
Scott Miller
Sarah Marsh
Allyson Hicks

The meeting was called to order at 10:00 a.m. by Ms. Julie Dahle. The committee began the meeting with approving the prior Audit Committee minutes.

I. November 13, 2019 Audit Committee Minutes

- A. The Audit Committee minutes were examined and one change was addressed. Ms. Dahle moved that the minutes be accepted, with one correction made. The motion was seconded by Ms. Tufte.

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, 44% was spent in audit, 5.81% in consulting, and 50.20% 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 we are completing a more thorough compliance review of the retirement accounts, as well as 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 coordination of the Risk Assessments and assistance in testing the new FAS methodology within PERSLink.

A status update was provided on the 2018 – 2019 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 the Sanford Health Plan interest calculation report and numerous consulting projects. Work is currently being done in the Contract Process review.

- B. Retirement Benefit Payment Status Report – Information was provided to the Audit Committee, which summarizes the accuracy percentages. The report shows the number of new retirees each month, the total number of new retirees audited, whether issues identified were procedure issues (issues staff did not identify) or system issues (issues with PERSLink), compliance issues, or employer issues. An accuracy rate of 97.61% was achieved fiscal YTD as of January 2020 for new retirement benefit payments, which met the 97% goal. 100% J&S and Single Life benefits continue to be the largest new retiree benefit categories. An accuracy rate of 93.55% was achieved fiscal YTD as of January 2020 for retirement refunds, which is below our 97% goal. However, a limited number of retirement refunds were audited.
- C. 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 number and dollar amount of errors continues to decline.
- D. 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 November 1, 2019 through January 31, 2020. Staff reviewed the recommendations with the committee. There was one new and two outstanding issues that continue to be worked through.

III. Administrative

- A. Audit Committee Meeting Date & Time – The next Audit Committee meeting is scheduled for Wednesday, May 13, 2020 at 10:00 a.m.
- B. Audit Committee Charter Matrix Review for 2019 – The Audit Committee Charter states that it will “confirm annually that all responsibilities outlined in this charter have been carried out. Review and access periodically the adequacy of the Committee charter, request Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.” To meet the requirement a matrix was developed to review against current practices to ensure that the Audit Committee is meeting its responsibilities. The matrix was reviewed and approved by the Audit Committee, where it was motioned from Mr.

Miller. Ms. Tufte seconded the motion, which was followed by voice vote.

- C. Internal Audit Charter Matrix Review for 2019 – A copy of the Internal Audit Charter Activity review matrix of the activities completed through December 31, 2019 was provided to the Audit Committee for their review and information.
- D. Internal Audit Plan 2020 – 2021 – A copy of the Internal Audit Plan 2020-2021 was provided to the Audit Committee for their review and information. A few new items were added, while a few audit and consulting projects were removed as they were completed or determined that controls are adequate. It was asked to add an appendix or summary to the Internal Audit Plan, to further discuss why Internal Audit chose to audit the items they did. Ms. Tufte motioned to nominate Ms. Dahle as the acting Audit Committee Chair. This was moved by Mr. Miller and carried by voice vote. Then Ms. Tufte moved to accept the motion for approving the Internal Audit Plan. The motion was seconded by Mr. Miller and carried by voice vote.
- E. Annual Performance Evaluation Update – There were discussions around how currently the Executive Director is the only individual giving input on the Chief Audit Officer's annual performance evaluation, when really the Chief Audit Officer reports to the Audit Committee and they should also be providing feedback. A motion was made by Ms. Tufte, for the evaluation process of the Chief Audit Officer to include input from both the Executive Director and the Audit Committee prior to the combined evaluation being submitted. This motion was seconded by Mr. Miller followed by voice vote. A second motion was made by Ms. Tufte, to apply the process of including both the Executive Director and the Audit Committees feedback for this current evaluation process review. Mr. Miller seconded the motion followed by voice vote.

IV. Miscellaneous

- A. Travel Expenditures – There were no out-of-state travel expenditures incurred by the Executive Director or Board of Directors for the period November 1, 2019 through January 31, 2020. This was provided for the Audit Committee's information.
- B. Risk Management Report – The minutes from the last Loss Control Committee meeting and the agenda for the next meeting were provided to the Audit Committee for their review. The Loss Control Committee reviewed a number of action items as well as several incident reports reported for the previous quarter. Also, the ND Safety Council completed assessments of the agency's office area in December and provided their recommendations.
- 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

December 2019 was provided for the Audit Committee's information.

- E. CPEs and Webinars – A report on the continuing professional education webinars, luncheon meetings and seminars Internal Audit participated in for the period November 1, 2019 through January 31, 2020 was provided to the committee. In December, the Chief Audit Executive attended three webinars and one IAA monthly luncheon.

Meeting adjourned at 11:10 a.m. Motion made by Mr. Miller, seconded by Ms. Tufte followed by voice vote.