



**North Dakota
Public Employees Retirement System**

400 E. Broadway, Suite 505 • PO Box 1657
Bismarck, North Dakota 58502 - 1657

Scott A Miller
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • WEB: ndpers.nd.gov

MEMORANDUM

TO: Audit Committee
Mona Rindy
Adam Miller
Julie Dahle
Dirk Wilke
Senator Tim Mathern

FROM: Shawna Piatz, Chief Audit Executive

DATE: February 8, 2021

SUBJECT: **February 8, 2021 Audit Committee Meeting**

In Attendance:

Mona Rindy
Adam Miller
Dirk Wilke
Senator Tim Mathern
Dean DePountis
Shawna Piatz
Scott Miller
Derrick Hohbein
Rebecca Fricke
Sarah Marsh

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. November 9, 2020 Audit Committee Minutes

- A. The Audit Committee minutes were examined. Mr. Wilke motioned approval of the minutes. The motion was seconded by Mr. Miller. 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, 63.34% was spent in audit, 6.09% in consulting, and 30.56% 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 BDS staff is still fairly new to their roles and Internal Audit continues to perform a

more thorough compliance review of the retirement accounts. The consulting hours were largely attributable to Internal Audit's assistance with vested employer contribution reconciliations, dual member FAS and service credit calculations and the FY 2020 external audit. Internal Audit started prep work and held an entrance meeting for the Deferred Compensation 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 held an entrance meeting for the Deferred Compensation audit 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. An accuracy rate of 97.40% was achieved fiscal YTD as of January 2021 for new retirement benefit payments, which was above the 97% goal. 100% J&S and Single Life benefits continue to be the largest new retiree benefit categories. An accuracy rate of 88% was achieved fiscal YTD as of January 2021 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. 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 did increase slightly.
- 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, 2020 through January 31, 2021. Staff reviewed the recommendations with the committee. A significant number of the outstanding items were closed over this past quarter. Currently, there are two items that remain outstanding; however, progress has been made on them. Therefore, 15 items were closed. We expect these last two items to hopefully be resolved over the next quarter.

III. Administrative

- A. Audit Committee Member Appointment – Per the Audit Committee Charter, “The audit committee will consist of two to five members with the majority of the members selected from the Board of Directors, and one may be selected from outside the organization. With Senator Grabinger transitioning off the NDPERS Board, Senator Tim Mathern was nominated and accepted the open Audit Committee position.

- B. Internal Audit Plan 2020-2021 Updates – The Audit Plan is updated each biennium with an update provided every year. Internal Audit coordinated the completion of the risk assessment updates in October 2020. No new major risks were noted and therefore no updates were made to the 2020 – 2021 Audit Plan. As no updates were completed, a motion for approval was not necessary.
- C. Internal Audit Report 2020 – Each year Internal Audit provides a general overview of the Internal Audit division and a summary of the audit activity that occurred during the previous year. Mr. Wilke motioned approval of the Internal Audit Report 2020. The motion was seconded by Mr. Miller. This was followed and approved by voice vote.
- D. Audit Committee Charter Matrix – The Audit Committee Charter states it will “confirm annually all responsibilities outlined in this charter have been carried out. Review and assess 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 Mr. Miller motioned approval of the matrix. The motion was seconded by Mr. Wilke. This was followed and approved by voice vote.
- E. Internal Audit Charter Matrix – A copy of the Internal Audit Charter Activity review matrix of the activities completed through December 31, 2020 was provided to the Audit Committee for their review and information.
- F. Chief Audit Officer (CAO) Annual Performance Evaluation – The CAO’s Annual Performance Evaluation is in process. The CAO has completed the self-evaluation and the Executive Director is currently reviewing and providing his ratings and comments. Once completed the Audit Committee will provide their individual ratings and comments. The final Performance Evaluation will be presented to the Audit Committee for their final approval.
- G. Audit Committee Meeting Date & Time – The next Audit Committee meeting is scheduled for Monday, May 10, 2021 at 3:00 p.m.
- H. External Audit Updates – The State Auditor’s Office is in the process of issuing the PERS financial statement audit RFP for FY 2021 – 2023. Internal Audit has reviewed the RFP, provided commentary and will be available to offer any additional assistance needed. This was provided to the Audit Committee for their information.

IV. Miscellaneous

- A. Travel Expenditures – There were no out-of-state travel expenditures incurred by the Executive Director or Board for the period November 1, 2020 through January 31, 2021. This was provided for the Audit Committee’s information.

- B. Risk Management Report – Updates were presented to the Audit Committee related to the Loss Control Committee activities. The Audit Committee was provided the minutes from the Loss Control Committee’s December 18, 2020 meeting and the agenda for the March 30, 2021 meeting. The Loss Control Committee reviewed a number of action items for the previous quarter including an update on the distribution of agency laptops, FileNet and disaster recovery training, 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 December 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 November 1, 2020 through January 31, 2021 was provided to the committee. The Chief Audit Executive attended one webinar.

Meeting adjourned at 3:56 p.m, by Ms. Rindy.