



**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:** November 9, 2020

**SUBJECT:** **November 9, 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  
Jason Ostroski (CLA)

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. August 17, 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, 61.31% was spent in audit, 10.34% in consulting, and 28.35% 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 an audit on the Sandford Health Plan interest calculation report, started audit prep work for the Deferred Compensation - Other 457/403b Eligibility & Vesting %, 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 96.77% was achieved fiscal YTD as of October 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. An accuracy rate of 81.82% was achieved fiscal YTD as of October 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 stayed in par with last quarter, which is good as the dollar amount greatly declined from the quarter prior to that.
- 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 August 1, 2020 through October 31, 2020. Staff reviewed the recommendations with the committee. There are 17 issues that remain outstanding, with 13 where progress was made, 1 with no change, and 3 with no response. 9 issues were closed. We expect a number of the issues to be resolved at the next Board meeting.

### III. Administrative

- A. Audit Committee Meeting Date & Time – The next Audit Committee meeting is

scheduled for Monday, February 8, 2021 at 3:00 p.m. The following are the additional proposed audit committee meeting dates: May 10, 2021; August 16, 2021; and November 8, 2021. Mr. Miller motioned to approve the upcoming Audit Committee meeting dates and Ms. Dahle seconded the motion, followed by voice vote.

- B. External Audit Updates – CliftonLarsonAllen (CLA) performed 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 was held to discuss the audit results with ND PERS staff. Jason Ostroski from CLA presented the preliminary audit report to the Audit Committee and will attend the December Board meeting to present the final report.

#### IV. Miscellaneous

- A. Travel Expenditures – There were no out-of-state travel expenditures incurred by the Executive Director or Board for the period August 1, 2020 through October 31, 2020. 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 June 30, 2020 meeting and the agenda for the September 23, 2020 meeting. 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 September 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 August 1, 2020 through October 31, 2020 was provided to the committee. The Chief Audit Executive attended three webinars.
- E. Publications – A copy of Assessing Corporate Culture: A Proactive Approach to Deter Misconduct from the Anti-Fraud Collaboration was provided to the Audit Committee.

Meeting adjourned at 4:02 p.m, by Ms. Rindy.