



Audit Committee Agenda

Location: NDPERS Conference Room, 1600 East Century Avenue, Bismarck ND
By phone: 701.328.0950 Conference ID: 360 144 196#

Date: **Monday May 13, 2024**

Time: 3:00 P.M. [Click here to join the meeting](#)

I. CONFLICT OF INTEREST DISCLOSURE CONSIDERATION

- A. Conflict of Interest Disclosure Consideration

II. AUDIT COMMITTEE MINUTES

- A. February 12, 2024 Audit Committee Minutes (**Committee Action**)

III. INTERNAL AUDIT REPORTS

- A. Quarterly Audit Plan Status Report (Information)
- B. Retirement Benefit Payment Status Report (Information)
- C. Sanford Claims Audit Report
- D. Benefit / Premium Adjustments Report (Information)
- E. Outstanding Issues Status Report (Information)

IV. ADMINISTRATIVE

- A. Audit Committee Charter Matrix (Information)
- B. Internal Audit Charter Matrix (Information)
- C. 2023 CAO Annual Performance Evaluation
- D. Report on Consultant Fees (Information)
- E. Risk Management Reports (Information)
- F. Travel Expenditures (Information)
- G. CPE, Training and Webinars (Information)



Memorandum

TO: Audit Committee
Joe Morrissette
Adam Miller
Tyler Erickson
Senator Dick Dever
Nina Sand
Rebecca Fricke
Derrick Hohbein
Dean DePountis
Shannon Ennen

FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: Quarterly Audit Plan Status Report

Following is a summary of the past quarter's activity:

	February	March	April	Total	
0000 DEPARTMENT MANAGEMENT & ADMINISTRATION	20.8	17.0	57.8	95.5	9.02%
0050 TRAINING	7.3	0.0	20.0	27.3	2.57%
0100 FINANCIAL	20.5	20.5	1.5	42.5	4.02%
1000 RETIREMENT PROGRAM	209.5	186.0	200.8	596.3	56.33%
1100 DEFINED CONTRIBUTION PROGRAM	0.0	0.0	0.0	0.0	0.00%
2000 GROUP INSURANCE PROGRAM	2.0	58.3	30.0	90.3	8.53%
3000 DEFERRED COMPENSATION PROGRAM	0.0	0.0	0.0	0.0	0.00%
3100 PEP PROGRAM	0.0	0.0	0.0	0.0	0.00%
4000 FLEX COMP PROGRAM	0.0	0.0	0.0	0.0	0.00%
5000 RETIREE HEALTH INSURANCE CREDIT PROGRAM	0.0	0.0	0.0	0.0	0.00%
6000 MISCELLANEOUS	0.0	0.0	0.0	0.0	0.00%
7000 INFORMATION TECHNOLOGY	0.0	0.0	2.5	2.5	0.24%
8000 EXECUTIVE	22.0	18.0	14.0	54.0	5.10%
9000 LEAVE	60.0	46.8	43.5	150.3	14.19%
TOTAL	<u>342.0</u>	<u>346.5</u>	<u>370.0</u>	<u>1058.5</u>	100.00%

Audit Hours (50-60%)	78.3	156.5	163.3	398.0	37.60%
Consulting Hours (5-10%)	164.3	109.8	70.0	344.0	32.50%
Administrative Hours (20-30%)	99.5	80.3	136.8	316.5	29.90%

The activities February 1, 2024 through April 30, 2024 were:

General:

- Prepared materials for audit committee meeting
- Attended various management and staff meetings
- PIR log and testing
- CPE and Training
- Quality Assessment Review

Audit:

- FY 2024 Retirement Benefits & Refunds Audit
- Pop-up Benefit verifications
- Sanford Health Plan Claims Audit

Consulting:

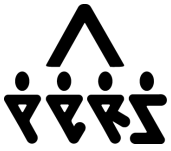
- Reviews and reconciliations for Benefits and Accounting
 - QDROs
 - TFFR duals
 - Pop-up payments
 - 401(a) limitations
 - Tax Calculation Reconciliations
- Clean Up Projects
 - QDRO benefit multiplier review
 - QDRO OMG / AB confirmations
 - Vested ER calculation discrepancies
 - Purchase posting dates on refunds
 - Bonus spreads to LOAs / MDs
 - Plan to Plan Transfer Reconciliations
 - Disability to Normal conversion with a prior pop-up

Audit Plan 2024-2025 The goals and objectives set forth in the 2024-2025 audit plan are listed below, with a status update provided at the right.

Audit Projects			
Priority	Area	Division	Status Update
1	New Retirement Benefit Payments	Benefits	FY 2024: Audited 43.79% of the FY 2024 retirement benefits paid through May 1, 2024
2	Retirement Refund Payments	Benefits	FY 2024: Audited 6.22% of the FY 2024 refunds paid through May 1, 2024
3	Sanford Interest Calculation Report – Audit 2021-2023 (June 2024 Initial Settlement)	Accounting	Not started
4	Sanford Interest Calculation Report – Audit 2021-2023 (June 2025 Final Settlement)	Accounting	Not started
5	Sanford 2024 Claims Audit	Benefits	Not started
6	Employer Payroll Reporting (external audit recommendation)	Benefits	Not started
7	Other 457/403b plan - Employer Reporting	Accounting	Not started

Consulting and Clean-Up Projects		
Area	Division	Status Update
Job Service Deferred Retirees	Benefits	Completed review – sent to Benefits for review & response
QDRO – OMG / AB splits	Benefits	Complete
Vested ER calculation discrepancies (PIR 25196)	Accounting	Complete
Purchase Posting Dates with Refunds (PIR 25553)	Accounting	Complete
Bonus Spreads to LOAs / MDs – Disability	Benefits	In Process
Main to PS Plan Transfer reconciliations	Benefits	Completed
Disability to Normal Payees with a Pop-Up	Benefits	Query Requested

Administrative/Other	
Area	Status Update
Annual & Sick Leave	68.8 hours of annual and sick leave and 35.5 hours of post adoption leave were used by the Internal Audit division between February 1, 2024 and April 30, 2024.
Audit/Board Related Activities	Attend as necessary.
Audit Plan Development and Issuance	Completed in February 2024.
Liaison Activities with External Auditors, including Field Work	RFP issued by State Auditor Office.
Record Retention Purge	Not started
Review and Update Internal Audit and Audit Committee Charters	Last updated June 2023. Will review for updated IIA guidance and standards that need to be implemented by January 2025.
Review and Update Internal Audit Manual	Not started
Training/Continuing Education (40 CPE hours required annually)	Attended APPFA conference in April and plan to attend the ND CPA Society Annual Convention this fall.
Internal Quality Assessment	In Process



Memorandum

TO: Audit Committee
Joe Morrissette
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Dean DePountis
Shannon Ennen

FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: Retirement Benefit Payment Status Report

It is the Agency's goal to identify weaknesses and develop improvements in processes to generally achieve a 97% accuracy rate with retirement benefit payments. As discussed with the Audit Committee, effective June 1, 2019 Internal Audit reduced the audit sample from the previous 100% audit for the retirement benefits audit. Internal Audit's current process is as follows:

- Review 100% of retirement benefits processed by new staff until 97% accuracy for internal calculation errors is achieved for three consecutive months
- Review 100% of new retirement benefits reviewed by only one Benefits Determination Specialist
- Review a sample of all remaining retirement benefits

Internal Audit has also been requested to review the following scenarios as they occur prior to the final approval:

- Pop-Ups
- QDROs
- Duals
- FAS Overrides
 - 415 Annual Compensation Limits
 - Bonus spreads with LOAs and MDs

The tables on the next page show the total number of new retirees retired each month, how many were audited by Internal Audit, and the respective accuracy rate.

Statistics:

The audit population is divided into the following segments:

1. New Retirees: These are members retiring receiving a retirement check for the first time.
2. Refunds: These are members who are requesting a refund of their account balance after they have terminated employment. This group is broken down into:
 - a. Pre-Retirement Death Refunds
 - b. Post-Retirement Death Refunds
 - c. Regular Refunds
 - d. Auto Refunds (non-vested, account balance less than \$1,000)
3. Secondary Payment Stream: These are members who are one of four categories:
 - a. Post-Retirement Deaths: Member electing a Joint & Survivor or Term & Certain benefit, or who has an Account Balance remaining and deceases so a benefit is payable to their beneficiary.
 - b. Pop-Ups: Member elected a Joint & Survivor benefit and the spouse deceases resulting in the benefit being “popped up” to a single life retirement benefit to the member.
 - c. Disability to Normal: Member went on disability prior to their normal retirement date and has reached normal retirement age or the Rule and gets the higher benefit of either their disability benefit or their normal retirement benefit.
 - d. Return to Work: Member retired once, returned to work, and is retiring again.
4. Existing retirees: This group consists of retirees who have been receiving benefits and an issue was found during the year for other reasons and do not fit in the above categories.

New Retiree Benefit Audit

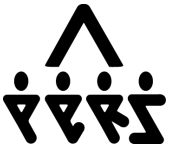
As of May 1, 2024, 448 of the 1,023 new retirees or \$1,591,386 of the \$3,610,882 total gross benefits issued have been audited. The fiscal year-to-date internal calculation accuracy rate is 97.54% for FY 2024. The fiscal year-to-date compliance/other accuracy rate is 97.1% resulting in an overall accuracy rate of 94.64% for FY 2024.

Refund Audit

As of May 1, 2024, 142 of the 2,283 or \$4,253,339 of the \$18,727,102 total gross refunds issued for FY 2024 were audited. The fiscal year-to-date internal calculation accuracy rate is 95.07% for FY 2024. The fiscal year-to-date compliance/other accuracy rate is 97.18% resulting in an overall accuracy rate of 92.25% for FY 2024.

Secondary Payment Stream Audit

A random sample of this group is audited each month. All benefits audited are incorporated into the attached statistics reports.



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TO: Audit Committee
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FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: **Sanford Claims Audit Report**

Each year, ND PERS performs a review of a sample of medical and pharmacy claims from the Sanford health plan and the Humana Medicare Part-D prescription drug plan. A sample of 105 claims were selected for review and Internal Audit met virtually in March with Sanford and Humana staff to review the selections. There were seven observations which are discussed in more detail in the attached report. This is for your information.



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FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: Benefit/Premium Adjustments Report

Attached is the quarterly benefit adjustment report for the period February 1, 2024 through April 30, 2024. The report is in several sections to indicate the type of corrections needed.

A summary of the adjustment amounts and the total number of each adjustment type is shown below and a summary of the detail is attached.

	7/31/2023		10/31/2023		1/31/2024		4/30/2024	
Retirement Overpaid	25	\$151,770.15	28	\$156,692.14	32	\$159,709.17	31	\$169,609.34
Retirement Underpaid	2	(\$241.64)	3	(\$220.07)	3	(\$220.07)	2	(\$2,411.03)
RHIC Overpaid	4	\$8,299.36	4	\$8,299.36	10	\$8,760.19	16	\$9,532.48
RHIC Underpaid	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00
Refunds Overpaid	2	\$2,613.52	0	\$0.00	18	\$1,902.24	20	\$2,954.00
Refunds Underpaid	4	(\$1,266.43)	2	(\$848.69)	1	(\$776.51)	0	\$0.00
Insurance Overpaid	2	\$643.92	2	(\$1,543.92)	21	(\$3,784.75)	34	(\$18,553.97)
Insurance Underpaid	7	\$15,102.84	6	\$15,008.59	9	\$15,620.92	10	\$22,706.28
Total Combined	46	\$176,921.72	45	\$177,387.41	94	\$181,211.19	113	\$183,837.10



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FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: Outstanding Issues Status Report

As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the Audit Committee the status of the audit recommendations of the external auditors, as well as any made by Internal Audit.

The attached report has been updated to reflect what has been accomplished February 1, 2024 through April 30, 2024. Twelve new issues were added and 36 outstanding issues remain. A summary is as follows:

	Closed	New	Progress Made	No Change	No Response	Total
Previous Month Total	10	6	7	4	22	39
Accounting	0	0	0	1	0	1
Administration	0	0	0	0	0	0
Benefits	6	12	6	1	22	41
Operations	0	0	0	0	0	0
Internal Audit	0	0	0	0	0	0
Information Technology	0	0	0	0	0	0
Current Month Total	6	12	6	2	22	42

Attached is the Outstanding Audit Issues including recommendations from the external auditors as well as internal auditors. Management responses and updates to the recommendations are included in this report.

Attachment



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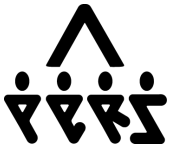
FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: **Audit Committee Charter Matrix Review 2024**

Per the Audit Committee charter, the Audit Committee is to “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 this responsibility a matrix was developed to review against current practices to ensure that the audit committee is meeting its responsibilities. Attached is a summary of the progress made and activities completed through April 2024 for your review.



Memorandum

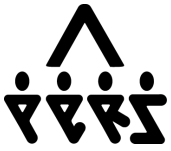
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FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: Internal Audit Charter Matrix Review 2024

Attached is the 2024 Internal Audit Charter Activity matrix. Included is a summary of the progress made and activities completed through April 2024 for your review. This is for your information.



Memorandum

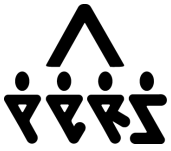
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FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: **2023 CAO Annual Performance Evaluation**

ND PERS is in the process of completing annual performance reviews. The 2023 CAO annual performance evaluation, which includes a self-evaluation portion, and evaluations completed by the Executive Director and each of the Audit Committee members who chose to respond, has been completed and is attached for our review, discussion and approval.



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FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: Report on Consultant Fees

According to the Audit Committee Charter, the Audit Committee should “Periodically review a report of all costs of 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.”

Attached is a summary of the consulting, investment and administrative fees paid as of March 31, 2024. This is for your information.



Fax (701) 328-3920 Email ndpers-info@nd.gov Website www.ndpers.nd.gov

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FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: Risk Management Reports

During a previous review of the Audit Committee's charter, it was determined that a Risk Management Policy for PERS would not be necessary because we have a Loss Control Committee in place to manage risk for the agency. The Audit Committee decided at the May 2022 Audit Committee meeting to review the Loss Control Committee minutes annually, unless major areas of risk arise. The minutes will be presented each May in the future.

Attached is a copy of the meeting minutes that have been approved by the Loss Control Committee over the previous year.

Attachments



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FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: Travel Expenditures

The Executive Director attended an out of state conference during the period February 1, 2024 through April 30, 2024. The expenses are included in the attached report. This is for your information.



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FROM: Shawna Piatz

DATE: May 13, 2024

SUBJECT: CPE, Training and Webinars

The training and education, including continuing professional education (CPE) webinars and seminars attended February 1, 2024 through April 30, 2024 are provided below. The Chief Audit Officer obtains the required CPE to keep current with Certified Public Accountant, Certified Internal Auditor and Certified Employee Benefit Specialist professional certifications each year. This is for your information.

Webinars, Trainings and Seminars	Date	Organization	Staff
Breaking Down Ethical Generative AI for Private Companies	Feb-24	Deloitte	Shawna
What's your return on risk?	Mar-24	Deloitte	Shawna
Association of Public Pension Fund Auditors Conference (18.4 CPE)	Apr-24	APPFA	Shawna