

**North Dakota
Public Employees Retirement System**

1600 East Century Avenue, Suite 2 • PO Box 1657
Bismarck, North Dakota 58502-1657

Scott Miller
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MEMORANDUM

TO: Audit Committee
Mona Rindy
Adam Miller
Dirk Wilke
Jason Grueneich

FROM: Shawna Piatz, Chief Audit Officer

DATE: February 13, 2023

SUBJECT: **February 13, 2023 Audit Committee Meeting**

In Attendance:

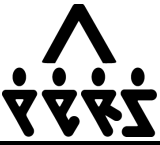
Mona Rindy
Adam Miller
Jason Grueneich
Dirk Wilke
Julie Dahle
Dean DePountis
Shawna Piatz
Scott Miller
Derrick Hohbein
Rebecca Fricke
Shannon Ennen
Steve Webster (Sanford)
Dylan Wheeler (Sanford)
Courtney Meyer (Sanford)
Kathleen Tilden (Optum)
Anthony Chomicz (Optum)
Tamara Dunsizer (Optum)

The meeting was called to order at 3:04 p.m. by Ms. Rindy. The committee began the meeting with approving the prior Audit Committee minutes.

I. November 7, 2022 Audit Committee Minutes

A. The Audit Committee minutes were examined. Mr. Miller moved approval of the minutes. The motion was seconded by Mr. Wilke. This was followed and approved by voice vote.

Group Insurance	Retirement Plans	Other Programs
Health & Life	Public Employees	Flexible Spending Account (FlexComp)
Dental & Vision	Law Enforcement	Retiree Health Insurance Credit (RHIC)
	Public Safety	Employee Assistance Program (EAP)
	Judges	
	Job Service	
	Highway Patrol	



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II. External Audit Report

- A. ND PERS Prescription Drug Coverage Performance Audit Review – The auditing firm hired by the State Auditor’s Office, Myers and Stauffer LC, has provided their final report of the NDPERS Prescription Drug Coverage Performance Audit. The report was presented to the NDPERS Board on February 3, 2023 at which time it was referred to the Audit Committee for their review and guidance on the audit findings. Representatives from both Sanford Health Plan and Optum were available to answer questions during the discussion. The Audit Committee agreed that additional meetings would be needed to continue discussions on this topic. The Chief Audit Officer was directed to coordinate a follow up meeting in March.

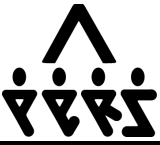
III. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the Internal Audit staff time spent for the past quarter along with a status update on each area of the 2022 – 2023 Audit Plan was included with the Audit Committee materials. Of the total hours reported, 42.73% was spent in audit, 11.40% in consulting, and 45.87% in administrative hours. The audit hours were spent on the monthly retirement program audit, the Sanford Interest Calculation Report Audit, the Sanford Claims Audit prep, and the Service Purchases Audit. The consulting hours were attributable to a number of clean-up projects, PIR testing, the external PBM audit, HR/staffing support and various reviews and reconciliations for the Benefits and Accounting divisions.

- B. Retirement Benefit Payment Status Report – Information was provided to the Audit Committee, which summarizes the accuracy percentages of the new monthly 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 or compliance issues. In fiscal year 2023, to date a total of 416 new retirees out of 733 were audited, which equates to \$1,694,965 of \$2,993,507 being audited. An internal calculation accuracy rate of 98.32% was achieved fiscal year to date as of February 2023 for new retirement benefit payments, which is above the 97% goal. The fiscal year to date compliance/other accuracy rate is 96.15 resulting in an overall accuracy rate of 94.47% for FY 2023.

In fiscal year 2023, to date a total of 86 of the 1,441 refunds issued were audited, which equates to \$3,491,138 of \$13,275,499. An internal calculation accuracy rate of 89.53% was achieved fiscal YTD as of February 2022 for retirement refunds. This falls below the 97% accuracy rate goal. The fiscal year to date compliance/ other accuracy rate is 98.84% resulting in an overall accuracy rate of 88.37% for FY 2023. A limited number of retirement refunds were audited and a portion of the sample continues to be focused on those refunds in which a known system issue is likely to have occurred.

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- 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. The dollar amount and the number of errors have remained consistent each quarter. There were 15 adjustments that were new this quarter and 15 previously reported adjustments remain outstanding. The new adjustments were due to the untimely notification or changes in membership status or information, system programming errors and processing errors.
- D. Outstanding Issues Status Report – The Outstanding Issues Status report has been updated to reflect new and outstanding issues as of January 31, 2023. There were three existing recommendations where progress was made, one existing recommendation with no change, two existing recommendations that was closed, and four new recommendations added to this report. Staff continue to be proactive about addressing recommendations as they are made. Any recommendations made in the previous quarter that have already been addressed would not be included in this report.

IV. Administrative

- A. Audit Committee Members Update – 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 Dever transitioning off the NDPERS Board, Jason Grueneich was nominated and accepted the open Audit Committee position.

Julie Dahle, the Audit Committee member selected from outside of ND PERS, has announced her resignation after the May 2023 committee meeting. Discussion took place around filling her position at that time. We thank Julie for her service and guidance on the ND PERS board.

- B. Internal Audit Plan 2022 – 2023 Updates – Internal Audit coordinates the agency risk assessments each October and uses the results to determine the high-risk areas and establish audit priorities for the upcoming biennium. The Chief Audit Officer explained the process and provided a summary of the results of the 2022 Risk Assessments along with a comparison to the 2021 results. The 2022 – 2023 Internal Audit Plan approved by the Audit Committee in May 2022 was also provided for review. The Chief Audit Officer recommended no changes be made the current biennium plan. Ms. Dahle moved approval of the 2022 – 2023 Audit Plan. The motion was seconded by Mr. Miller. This was followed and approved by voice vote.
- C. Audit Committee Charter Updates – The Audit Committee Charter was established in 1993 and last updated in 2014. The Chief Audit Officer has reviewed the Charter and provided suggested updates and edits that the Audit Committee discussed. Items discussed will be incorporated into the Audit Committee Charter draft and provided to the Audit Committee at the next meeting for review and approval.

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- D. Audit Committee Charter Matrix – In order to confirm all responsibilities outlined in the Audit Committee Charter are carried out annually, a matrix was developed to review each objective quarterly and ensure that the Audit Committee is meeting its responsibilities. The matrix was reviewed and discussed for progress made over the past quarter.
- E. Internal Audit Charter Updates – The Internal Audit Charter was established in 1993 and last updated in 2005. The Chief Audit Officer has reviewed the Charter and provided suggested updates and edits that the Audit Committee discussed. Mr. Wilke moved approval of the Charter as presented with a few additional edits. The motion was seconded by Ms. Dahle. This was followed and approved by voice vote. The Charter will be presented to the Board for their review and approval as well.
- F. Internal Audit Charter Matrix – A copy of the Internal Audit Charter matrix with progress made over the previous quarter was provided to the Audit Committee for their review and information.
- G. 2022 CAO Annual Performance Evaluation – The Chief Audit Officer discussed the process and timing for annual evaluations and let the Committee know that the evaluation template has been e-mailed to each of the Committee members for their responses. The final evaluation will be presented at the next Audit Committee meeting for final review and approval.

V. Miscellaneous

- A. Travel Expenditures – There were no out-of-state travel expenditures incurred by the Board or Executive Director for the period November 1, 2022 through January 31, 2023. This was provided for the Audit Committee’s information.
- B. CPE, Training and Webinars – A report on the training and education, including continuing professional education (CPE) webinars and seminars Internal Audit participated in for the period November 1, 2022 through January 31, 2023 was provided to the committee for their review.
- C. Audit Committee Meeting Dates & Times – The next Audit Committee is scheduled for May 8, 2023 at 3 pm. It will be held both in person and with an option for virtual attendance.

The meeting adjourned at 5:10 p.m, by Ms. Rindy.

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