

**North Dakota  
Public Employees Retirement System**

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

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

Fax (701) 328-3920

Email [ndpers-info@nd.gov](mailto:ndpers-info@nd.gov)

Website [www.ndpers.nd.gov](http://www.ndpers.nd.gov)

**MEMORANDUM**

**TO:** Audit Committee  
Mona Rindy  
Adam Miller  
Joe Morrisette  
Scott Miller  
Derrick Hohbein  
Rebecca Fricke  
Dean DePountis  
Shannon Ennen

**FROM:** Shawna Piatz, Chief Audit Officer

**DATE:** Monday May 8, 2023

**SUBJECT:** **May 8, 2023 Audit Committee Meeting**

In Attendance:

Adam Miller  
Jason Grueneich  
Dirk Wilke  
Dean DePountis  
Shawna Piatz  
Scott Miller  
Rebecca Fricke  
Derrick Hohbein  
Steve Webster

The meeting was called to order at 3:01 p.m. by Mr. Miller.

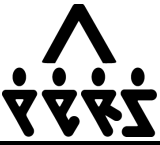
**I. Approval of prior Audit Committee Minutes**

A. The Audit Committee minutes from the prior Audit Committee meeting held on February 13, 2023 and the Special Audit Committee meeting held on March 15, 2023 were examined. Mr. Wilke moved approval of the minutes. The motion was seconded by Mr. Grueneich. This was followed and approved by voice vote.

**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

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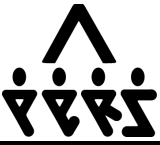
report was presented to the NDPERS Board on February 3, 2023 at which time it was referred to the Audit Committee for their review and guidance on the audit findings. The Audit Committee met on March 15, 2023 to review the report and discuss responses to propose to the Board for their consideration. The Chief Audit Officer presented the Memo drafted to present to the May Board. Mr. Wilke moved approval of Audit Report and Letter for discussion at Board Meeting May 9, 2023. The motion was seconded by Mr. Grueneich and carried by roll call vote.

**III. Internal Audit Reports**

- A. Sanford 2022 Claims Audit – NDPERS performed a review of a sample of the Sanford health plan and medical and pharmacy claims and the Humana Medicare Part-D prescription drug plan claims. Findings were presented to and discussed by the Audit Committee.
- B. 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, 56.02% was spent in audit, 8.5% in consulting, and 35.48% in administrative hours. The general hours were spent training new Internal Auditor staff and on legislation and other various meetings. The audit hours were spent on the monthly retirement program audit, Pop-up Benefit verifications, the Sanford and Humana Claims Audit, 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.
- C. 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 procedural, system or compliance issues. In fiscal year 2023, to date a total of 527 out of 911 new retirees were audited, which equates to \$2,372,725 of \$3,929,305 being audited. An internal calculation accuracy rate of 85.20% was achieved fiscal year to date as of April 2023 for new retirement benefit payments, which is below the 97% goal. The fiscal year to date compliance/other accuracy rate is 94.12% resulting in an overall accuracy rate of 79.32% for FY 2023.

In fiscal year 2023, to date a total of 109 of the 1,782 refunds issued were audited, which equates to \$4,396,844 of \$16,140,090. An internal calculation accuracy rate of 90.83% was achieved fiscal YTD as of April 2023 for retirement refunds. This falls below the 97% accuracy rate goal. The fiscal year to date compliance/ other accuracy rate is 98.17% resulting in an overall accuracy rate of 88.99% 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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- D. 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 has increased slightly over the last quarter. There were 17 adjustments that were new this quarter and 17 previously reported adjustments remain outstanding. The new adjustments were due to the untimely notification of changes in membership status or information, system programming errors and processing errors.
  
- E. Outstanding Issues Status Report – The Outstanding Issues Status report has been updated to reflect new and outstanding issues as of April 30, 2023. There were four existing recommendations where progress was made, three existing recommendation with no change, three existing recommendations that were closed from the prior quarter, and twenty-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 Julie Dahle’s notice of resignation as of May 2023, Nina Strand was recommended for the open Audit Committee position by Mona Rindy. The motion to approve this nomination was made by Mr. Grueneich. The motion was seconded by Mr. Wilke. This was followed and approved by a voice vote. The nomination will be presented to and voted on by the Board at the next Board meeting.
  
- B. 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. A motion was made by Mr. Wilke to approve the changes as presented. The motion was seconded by Mr. Grueneich. This was followed and approved by a voice vote. The approved changes will be presented to the Board for approval at the June Board meeting.
  
- C. 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.
  
- D. Internal Audit Charter Matrix – A summary matrix of the progress made and activities completed by the Internal Audit division through April 2023 was presented to the Audit Committee for review. The proposed updates to the Internal Audit Charter approved at the February 2023 Audit Committee meeting

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will be taken to the June 2023 Board meeting for their review and approval. Once approved the matrix will be updated to reflect any changes.

- E. 2022 CAO Annual Performance Evaluation – The Chief Audit Officer discussed the process and timing for staff annual evaluations. The final CAO evaluation was presented at the Audit Committee meeting for their final review and approval. A motion was made by Mr. Wilke that the process being followed for other staff members for the equity increases be followed for the CAO as well and that she be considered a higher performer related to performance increases. The motion was seconded by Mr. Grueneich and approved by roll call vote.

**V. Miscellaneous**

- A. Risk Management Report – 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 in May 2022 to review the Loss Control Committee minutes annually, unless major areas of risk arise. Approved minutes for the Loss Control Committee over the previous year were presented and discussed.
- B. Travel Expenditures – There were no out-of-state travel expenditures incurred by the Board or Executive Director for the period of February 1, 2023 through April 30, 2023. This was provided for the Audit Committee’s information.
- C. 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 February 1, 2023 through April 30, 2023 was provided to the committee for their review.
- D. Audit Committee Meeting Dates & Times – The next Audit Committee meeting is scheduled for August 14, 2023 at 3 pm. It will be held both in person and with an option for virtual attendance.

The meeting adjourned at 4:54 p.m, by Mr. A Miller.

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