

## MEMORANDUM

**TO:** Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** February 25, 2014

**SUBJECT:** **February 19, 2014 Audit Committee Meeting**

In Attendance:

Jon Strinden – via phone  
Jamie Kinsella  
Julie McCabe  
Sparb Collins  
Sharon Schiermeister

Absent:

Arvy Smith

The meeting was called to order at 10:03 a.m.

**I. December 19, 2013 Audit Committee Minutes**

The audit committee minutes were examined and approved by the Audit Committee.

**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.
- B. Audit Recommendations 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 found by the internal auditor. There were 17 items to follow up; no change on 12, minimal changes on three, and significant changes on two. Discussion followed. As there were annual reports to wrap up, and annual leave taken, not much progress was made during the last quarter. There will be more progress to report at the May meeting.
- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has four retirement and eight health adjustments.

- D. Internal Audit Report for Year 2013 – A copy of the Internal Audit Report for 2013 was given to the board for review.

### III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for May 21, 2014 at 10:00 a.m.
- B. Audit Committee Charter Activity Review – The Audit Committee Charter states that it will “17. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee’s composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.” The Audit Committee Charter activities was reviewed at the May meeting and a report will go to the board for their information.
- C. Job Service Update – At the December 2013 audit committee meeting an update was provided regarding Job Service COLA increases and the proration error found with the 1<sup>st</sup> year COLA calculations on 22% of the members reviewed for the paid up annuity error last October. It was asked of the audit committee whether Internal Audit should pursue looking at the remainder of the population to determine if there were any other retirees with a similar error. The audit committee deemed it prudent to investigate and make any corrections if any additional errors were found. The board was provided an update of the results on the project. There was discussion that followed.
- D. Confidential Meeting Between Internal Audit and Audit Committee - The annual confidential meeting between the Internal Audit and Audit Committee was held at the end of the February 19, 2014 Audit Committee Meeting.

### IV. Miscellaneous

- A. Travel Expenditures Update – There were no travel expenditures incurred by the Board and/or Executive Director for out-of-state travel submitted from November 1, 2013 through January 31, 2014.
- B. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee’s agenda from their last meeting as well as the approved minutes. Copies of the September 18, 2013 meeting and the agenda for the December 3, 2013 meeting were provided to the audit committee.
- C. 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.” A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended December 2013 is not available. It will be provided at

the next audit committee meeting.

- D. Publications – The December 2013 publications of the Tone at the Top were provided to the Audit Committee for their perusal.
- E. Webinars and CPE's – Ms. Kinsella and Ms. McCabe have been participating in the free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended six webinars from November 1, 2013 through January 31, 2014. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 11:00 a.m.

## MEMORANDUM

**TO:** Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** May 30, 2014

**SUBJECT:** **May 21, 2014 Audit Committee Meeting**

In Attendance:  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart  
Jamie Kinsella  
Julie McCabe  
Sparb Collins  
Sharon Schiermeister

The meeting was called to order at 11:05 a.m.

### **I. February 19, 2014 Audit Committee Minutes**

The audit committee minutes were examined and approved by the Audit Committee.

### **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.
- B. Audit Recommendations 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 found by the internal auditor. Two were completed, progress was made on seven, and no change on eight recommendations.
- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has four retirement and 35 health adjustments.

### III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for August 20, 2014 at 10:00 a.m.
- B. Audit Committee Charter Revision Proposal – At the last audit committee meeting it was noted during the review of the Audit Committee 2013 activities that there had been significant updates to the Audit Committee Charters examples provided by both the Association of Public Pension Fund Auditors and the Institute of Internal Auditors. The last time our charter was updated was September 2008 so a comparison was made between the revised versions and our current charter to determine whether our charter should be updated. A copy of the original document, a copy with the tracked changes, as well as a copy of the final result was provided to the audit committee. There was discussion as to whether the charter should be updated and how often. The Audit Committee requested that a word document be sent to them with the track changes and comments to what was changed and why. This will carry over to the August meeting.
- C. Annual Performance Evaluation – Annual reviews are being done and the goal is to have them all completed by June 20<sup>th</sup>. Mr. Collins would like to use the same approach for Ms. Kinsella's review as has been done in past. The audit committee agreed to this methodology.
- D. Job Service Update – At the December 2013 audit committee meeting the audit committee was given an update on the COLA review conducted last October, and as a result of that review, there was a 1<sup>st</sup> year COLA calculation error for a few retirees. At that time the audit committee was asked whether Internal Audit should pursue looking into the matter further, and the audit committee agreed that they should. In February Internal Audit reported to the audit committee that there were additional members with the 1<sup>st</sup> year COLA calculation error, but that there were retirees who had continuing COLA increases on Uniform Income that had ended, which was not consistent with Job Service practices prior to PERSLink.

In April the Board approved a motion to make adjustments to the Job Service members' benefits effective June 1, 2014 due to COLA increases on Uniform Income benefits. When reviewing the adjustments, it was discovered the COLA was not increased for future benefit payments for group of retirees refunded on April 1<sup>st</sup> for incorrect 1<sup>st</sup> year COLA calculations. With discovery of this error, it was recommended to the board that more time be provided to thoroughly examine each group of adjustment types so we can ensure that the adjustments are done correctly, and we are following through with all aspects of the adjustments.

### IV. Miscellaneous

- A. External Audit Update – In March Ron Tolstad, State Auditor's Office, Connie Flanagan, RIO, Rachel Ridl, Office of Management & Budget, John Mongeon, Brady Martz, Thomas Rey, Clifton Larson Allen, and Jason Ostroski, Katie Moch

and Holly Engelhart came to NDPERS to discuss the GASB 68 changes and how it will impact the external auditors and employer reporting.

Brady Martz is scheduled to visit the NDPERS office the week of June 16<sup>th</sup> to conduct their preliminary audit work. They will return on August 25<sup>th</sup> through September 5<sup>th</sup> to complete their fieldwork.

- B. Travel Expenditures Update – There were no travel expenditures incurred by the Board and/or Executive Director for out-of-state travel submitted from February 1, 2014 through April 30, 2014.
  
- B. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee’s agenda from their last meeting as well as the approved minutes. Copies of the December 3, 2013 meeting and the agenda for the March 24, 2014 meeting were provided to the audit committee.
  
- C. 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.” A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended December 2013 and March 2014 were provided to the audit committee.
  
- D. Publications – The February and April 2014 publications of the Tone at the Top were provided to the Audit Committee for their perusal.
  
- E. Webinars and CPE’s – Ms. Kinsella and Ms. McCabe have been participating in the free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended eight webinars from February 1, 2014 through April 30, 2014. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 11:47 a.m.

## MEMORANDUM

**TO:** Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** September 2, 2014

**SUBJECT:** **August 20, 2014 Audit Committee Meeting**

In Attendance:  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart  
Jamie Kinsella  
Julie McCabe  
Sparb Collins  
Sharon Schiermeister  
Deb Knudsen

The meeting was called to order at 10:00 a.m.

### **I. May 21, 2014 Audit Committee Minutes**

The audit committee minutes were examined and approved by the Audit Committee.

### **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.
- B. FY 2014 Retirement Benefits & Refunds Executive Summary Reports – The Executive Summary Reports from the FY 2014 Retirement Benefits & Refunds Audit was brought to the board for their information.
- C. Audit Recommendations 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 found by the internal auditor. The Internal Audit recommendations will be added to this report for November. In addition, target implementation dates were not updated for a few items.
- D. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement

and Insurance. This report has five retirement and four health adjustments for this quarter.

- E. Job Service Update – The adjustments to the members’ benefits on July 1, 2014 for the 1<sup>st</sup> Year COLA and Uniform Income errors that were found have been completed. However, during the course of our regular monthly audit, some questions arose regarding how the sick leave purchase was calculated. This led to other issues which include Sick Leave Balances, Alternate Payee Uniform Income, Correct Straight Life and Year Term Certain Formula which was not provided to the vendor, Joint & Survivor factor for contingent beneficiaries with more than 10 years difference in age is not included in formula, and finally, staff has requested a test run to verify that the COLA increase will calculate correctly. This will require additional time from Internal Audit through the end of the year 2014.

### III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for November 19, 2014 at 10:00 a.m.
- B. Audit Committee Charter Revision Proposal – At the last audit committee meeting a proposed revised Audit Committee charter was provided for review as there had been significant updates to the Audit Committee Charters examples provided by both the Association of Public Pension Fund Auditors and the Institute of Internal Auditors. A special audit committee meeting was scheduled for August 29, 2014 to discuss the Audit Committee Charter.

### IV. Miscellaneous

- A. External Audit Update – Brady Martz will be in the NDPERS office the weeks of August 25<sup>th</sup> through September 5<sup>th</sup> to complete their fieldwork.  
  
A new contract with Brady Martz outlining their audit procedures they will undertake as a result of additional work required to comply with the provision of GASB Statement No. 68 was received. Brady Martz does not anticipate the fee for these additional services to exceed \$75,000. Discussion followed.
- B. Travel Expenditures Update – There were no travel expenditures incurred by the Board and/or Executive Director for out-of-state travel submitted from May 1, 2014 through July 31, 2014.
- B. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee’s agenda from their last meeting as well as the approved minutes. Copies of the March 24, 2014 meeting and the agenda for the June 24, 2014 meeting were provided to the audit committee. Deb Knudsen provided a report of the past year’s activities.
- C. 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.” A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended June 2014 were provided to the audit committee. Discussion followed. Mr. Collins will be following up with the NDPERS board.

- D. Publications – The June 2014 publication of the Tone at the Top were provided to the Audit Committee for their perusal.
  
- F. Webinars and CPE's – Ms. Kinsella and Ms. McCabe have been participating in free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended seven webinars from May 1, 2014 through July 31, 2014. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 11:05 a.m.

## MEMORANDUM

**TO:** Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** September 2, 2014

**SUBJECT:** **August 29, 2014 Audit Committee Meeting**

In Attendance:  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart  
Jamie Kinsella  
Julie McCabe  
Sparb Collins

The meeting was called to order at 10:00 a.m.

### **I. Audit Committee Charter**

The meeting was called to review the Audit Committee Charter. Changes were reviewed and additional changes made. The final draft will be provided at the next Audit Committee Meeting in November for final approval.

Meeting adjourned at 10:35 a.m.

## MEMORANDUM

**TO:** Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** September 2, 2014

**SUBJECT:** **November 19, 2014 Audit Committee Meeting**

In Attendance:

Jon Strinden  
Arvy Smith  
Rebecca Dorwart  
Jamie Kinsella  
Julie McCabe  
Sparb Collins  
Sharon Schiermeister  
John Mongeon  
Lance Rambousek

The meeting was called to order at 10:09 a.m.

**I. August 20, 2014 and August 29, 2014 Audit Committee Minutes**

The audit committee minutes were examined and approved by the Audit Committee.

**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.
- B. Audit Recommendations 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 found by the internal auditor. The Internal Audit recommendations were not added to this report for November due to time constraints. They will be incorporated into the report when the external audit findings are finalized. Both updates will be in the February materials.
- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has three retirement and eleven health adjustments.

- D. Job Service Update – Internal Audit is currently working on verifying the 2014 COLA increases to ensure that all retirees get the correct COLA increase on December 1, 2014. Following that, it is anticipated that we will be making necessary corrections found during the year to benefits effective January 1, 2015 based on board recommendations at the November 2014 board meeting.
- E. Internal Audit Plan for 2015 – A year ago an audit plan was developed for the 2014-2015 calendar year. The board was given an update on the progress of the two year plan. Discussion followed.
- F. Risk Assessment COSO Presentation – Our annual risk assessment was conducted with staff this fall and our approach, after some discussion, will be as follows:
  - 1. Following each legislative session, which will be every odd year, meet separately with each manager/supervisor to go over in detail the risk assessment document and determine if there are any new risks to be concerned about due to legislative changes and add them to the risk assessment.
  - 2. Assess and incorporate high risk areas into the Internal Audit Plan for the next two calendar years.
  - 3. In the fall of the even year, have management review the risk assessment individually on their own and inform Internal Audit if there are any changes or concerns that should be considered by Internal Audit for the next calendar year audit plan.

### **III. Administrative**

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for February 18, 2015 at 10:00 a.m.
- B. Audit Committee Charter Revision Proposal – At the August 2014 audit committee meeting a proposed revised Audit Committee charter was provided for review, but it was deferred to a special teleconference call meeting at a later time. During that call the document was reviewed and a few changes were made. The Audit Committee approved the revised charter, which will go before the board for their approval to be effective January 1, 2015.

### **IV. Miscellaneous**

- A. Brady Martz & Associates Meeting with the Audit Committee – On a regular basis, meet separately with the external financial statement audit firm to discuss any matters that the committee or auditors believe should be discussed privately (subject to open meeting laws). This meeting occurred at the beginning of the Audit Committee meeting.
- B. Brady Martz & Associates FYE 2014 Audit Report Presentation – John Mongeon and staff presented the FY 2014 audit report.

- C. Travel Expenditures Update – Travel expenditures incurred by the Board and/or Executive Director for out-of-state travel from August 1, 2014 through October 31, 2014 were brought to the board for their information.
- D. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee’s agenda from their last meeting as well as the approved minutes. Copies of the June 24, 2014 minutes and the agenda for the September 30, 2014 meeting were provided to the audit committee.
- E. 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.” A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended September 2014 were provided to the audit committee.
- F. Publications – The August/September 2014 publication of the Tone at the Top were provided to the Audit Committee for their perusal.
- G. Webinars and CPE’s – Ms. Kinsella and Ms. McCabe have been participating in free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended five webinars from August 1, 2014 through October 31, 2014. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 11:40 a.m.