

MEMORANDUM

TO: Audit Committee
Jon Strinden
Ron Leingang

FROM: Jamie Kinsella, Internal Auditor

DATE: December 1, 2010

SUBJECT: **August 18, 2010 Audit Committee Meeting**

In Attendance:

Jon Strinden, via conference call
Arvy Smith
Rebecca Dorwart
Jamie Kinsella
Leon Heick
Sparb Collins
Deb Knudsen

Absent:

Sharon Schiermeister

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

I. February 17, 2010 and March 12, 2010 Audit Committee Minutes

Ms. Smith moved to approve both of the audit committee meeting minutes presented. Ms. Dorwart seconded the motion.

II. Internal Audit Quarterly Report

- A. Quarterly Audit Plan Status Report – Included with the audit committee minutes was the quarterly audit plan status report as of April 30, 2010. An update through July 31 was not necessary as nothing has changed. Ms. Kinsella conveyed the internal audit staff is spending the bulk of their time working with the PERSLink Project Team assisting with the projects they need help with. She indicated they are working on testing software, data conversion and correspondence. Staff will continue to do the required work that needs to be done in internal audit. For now the focus in internal audit is the Defined Contribution Refund Audit, Flex Comp Grace Period Audit, Pharmacy Benefit Manager Audit Project, and Mini Journal review. In the Defined Contribution audit a refund error was found in 2002 and 2009. There are procedures now in place to prevent this type of error from occurring. The error from 2009 was found to be human error.
- B. Quarterly Audit Recommendation 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. For the quarter ending April 30, 2010, 1 recommendation was completed, and no change on 1 recommendation. No change through July 31 due to the PERSLink project.

- C. Audit Charter Review Matrix – Since staff reviewed the Audit Committee charter last February, Ms. Kinsella conveyed she did the same thing for the Internal Audit Charter. Attached was a copy of the matrix for the audit committee to review. Ms. Kinsella indicated she did not find anything that needed revision at this time.

III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for November 17, 2010.
- B. Performance Evaluation – Ms. Kinsella's performance evaluation was completed in June.
- C. 2011-2013 Internal Audit Budget Request – Included with the audit committee materials was a copy of the budget request memo staff submitted for the accounting division to consider for the internal audit division as they prepare for the 2011-2013 budget.

IV. Miscellaneous

- A. Brady Martz & Associates - Brady Martz was in the PERS office June 25-29 for their preliminary work, as well as August 5, 6 and 9 for continuing with testing of data. They were in the PERS office on August 17 for the IT audit. They will return August 23 through September 3 for their field work and wrap up. They will continue to work on the audit report through October 2010.
- B. Pharmacy Benefits Manager (PBM) Project – TriCast has presented PERS and Prime Therapeutics with a preliminary draft audit report which will be finalized this month. Ms. Kinsella conveyed she will see if Sara from TriCast could present the report at the next audit committee meeting.
- C. Travel Expenditures – Included with the audit committee materials were copies of the travel expenditures for the quarters ending April 30, 2010 and July 31, 2010. Discussion followed on whether or not the audit committee wanted to include all in-state travel on this report also. By general consensus, the audit committee recommended to include out of state travel only on the travel expenditure report.
- D. Risk Management Report – At a previous audit committee meeting, it was determined that a Risk Management Policy for PERS would not be necessary since a Loss Control Committee is in place to manage risk for the agency. At that time It was suggested that the Loss Control Committee provide a copy of the last meeting agenda and the approved minutes. Included with the audit committee materials was a copy of the approved meeting minutes from the December 2, 2009 meeting, March 11, 2010 meeting and the agenda for the June 2010 meeting. Deb Knudsen, who oversees the Loss Control Committee,

presented an overview of the committee's activities from the past year. Discussion followed.

- E. PERSLink Quarterly Report – Included with the audit committee minutes were the PERSLink quarterly status reports. NDPERS is required to file this report with ITD throughout the duration of the system replacement project. The go live date is scheduled for October 4, 2010. Discussion followed.
- F. 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.” Included with the audit committee materials were copies of the reports showing the consulting, investment and administrative fees paid during the quarters ended March 31, 2010 and June 30, 2010.
- G. Continuing Professional Education – Ms. Kinsella indicated she attended a seminar sponsored by the local IIA Central NoDak Chapter. Ms. Kinsella conveyed she received 15 CPE credits for attending this seminar..
- H. Publications – Included with the materials were articles from the Institute of Internal Auditors for the audit committee's education.

The meeting adjourned at 11:00 a.m.