

## MEMORANDUM

**TO:** Audit Committee  
Jon Strinden  
Ron Leingang

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** May 23, 2007

**SUBJECT:** **December 6, 2006 Audit Committee Meeting**

In Attendance:

Ron Leingang  
Rebecca Dorwart  
Jamie Kinsella  
Sparb Collins  
Sharon Schiermeister  
Leon Heck

The meeting was called to order at 1:30 p.m.

**I. August 16, 2006 and September 11, 2006 Audit Committee Minutes**

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

**II. Internal Audit Quarterly Report**

- A. Internal Audit Status Update – Included with the audit committee minutes was the Internal Audit quarterly report which listed all of the projects that are in active status. At the August meeting it was brought to the Audit Committee's attention that 3 audit reports have been waiting for responses since October 2005. All of the findings have been responded to so these audits will be closed out.
- B. Quarterly Audit Finding 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 findings of the external auditors, as well as any found by the internal auditor. The report included recommendations made by Brady Martz during the 2006 fiscal year end audit. Recommendations by Internal Audit are included after the final audit report has been issued to management that includes their responses to the recommendations. A review of the updated report showed that four were completed, and progress was made on one this quarter. Ms. Dorwart inquired whether the older recommendations were still applicable. Ms. Kinsella indicated that management reviewed the recommendations last spring upon the Audit Committee's request and re-prioritized them.

### III. Administrative

- A. Update on Group Insurance Staffing Status – The accounting staff decided in late September to proceed and hire a temporary accountant to replace the staff member out on leave of absence. The accountant began employment on November 1, 2006 and has been working diligently on getting the backlog of group insurance reconciliations completed and up to date. Once this has been accomplished, Ms. Kinsella will begin training her on the daily work so she can take over all aspects of the group insurance duties. While she is doing the daily work, Ms. Kinsella indicated she will continue to work on past adjustments that require research in the group insurance area. Ms. Kinsella conveyed once everything is caught up she anticipated returning to her duties in the Internal Audit Division in January. Ms. Schiermeister indicated that she hoped the services of the Internal Audit would no longer be needed by the end of January.
- B. Internal Audit Plan for 2007 – Ms. Kinsella indicated due to the time involved in the Group Insurance Division, she had not been able to develop an Internal Plan for 2007 and hoped to have a plan developed by the Audit Committee meeting in February.
- C. Pharmacy Benefits Manager (PBM) Project – Per the October board meeting, the Board decided to have the PBM issue referred to the Audit Committee once BCBS responded to the question whether NDPERS can audit the PBM. At the November board meeting it was determined by BCBS that NDPERS does not have a direct audit authority of the BCBSND vendors. At that time, staff and the board concurred that NDPERS accept the BCBS position. However, the Board indicated NDPERS will need to be granted authority in the next year or NDPERS will not go through another renewal with them. Staff recommended that the Audit Committee bring in a consultant specializing in PBM audits to educate and discuss PBM audits at a meeting. The Audit Committee approved by general consensus to bring in a consultant specializing in PBM audits for the next Audit Committee meeting.

### IV. Miscellaneous

- A. Audit Committee Meeting - Included with the audit committee materials were the 2007 proposed audit committee meeting dates and times. Mr. Striden and Mr. Leingang approved of the 2007 meeting dates. Ms. Dorwart will get back to Ms. Kinsella regarding the May and August proposed meeting dates.
- B. Brady Martz & Associates Audit Report – Brady Martz presented their FY 2006 audit report to the Audit Committee. Brady Martz brought to the Audit Committee's attention to the bottom of the first page of the report where it was reported from the actuary report the unfunded liability for the Main and Highway Patrol Defined Benefit programs. Mr. Collins explained that at market value the liability is 100% funded. Discussion followed. A copy of the report was included with the meeting materials. The final audit report will be presented to the Board at the December board meeting.

- C. Publications – A copy of the August and November 2006 issues of Tone at the Top were included in the audit committee materials.

The meeting adjourned at 2:45 p.m.