

MEMORANDUM

TO: Audit Committee
Jon Strinden
Ron Leingang

FROM: Jamie Kinsella, Internal Auditor

DATE: May 19, 2006

SUBJECT: **February 15, 2006 Audit Committee Meeting**

In Attendance:

Jon Strinden via conference call
Ron Leingang
Jamie Kinsella
Sparb Collins
Sharon Schiermeister
Leon Heick

The meeting was called to order at 10:37 a.m.

I. November 30, 2005 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. In addition, an updated Goals and Objectives Report summarizing the status as of the end of the last quarter was also included. This report is the annual goals and objectives of the internal audit division provided to the Executive Director at the beginning of each year to be included in the NDPERS Business Plan report to the Board. Since the internal audit division did not provide goals and objectives for 2006, an update was placed on the 2005 report. Discussion followed on the accounting staff shortages. The audit committee was updated on the proposed plan for staffing the accounting division for the short and long term. The audit committee will be informed of changes as they occur.
- 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. This report includes the recommendations made by Eide Bailly during the 2005 fiscal year end audit. Findings by Internal Audit are included after the final audit report has been issued to

management that includes responses to the findings. A copy of the report was included with the audit committee materials. Mr. Leingang inquired about #04-11. Ms. Kinsella conveyed that this is one of the projects Mr. Heick has been working on. It has been completed for the first 6 months of this fiscal year and of the 6 months, 3 are reconciled.

- C. Annual Internal Audit Plan for 2006 – Ms. Kinsella indicated the Annual Audit Plan for 2006 had been placed on hold due to unforeseen circumstances in the office. Ms. Kinsella conveyed that once things have turned around a plan will be written for the remainder of the calendar year.
- D. Annual Audit Report for 2005 – Included in the audit committee materials was a copy of the Internal Audit Division's Annual Report for the 2005 calendar year for review and approval. If there are no changes, the final copy will be signed by Mr. Strinden and Ms. Kinsella. This copy will be available to anyone who would like one. Discussion followed regarding the table on page 1 of the report which showed the changes in the various programs in membership and dollars in the last year, and between 2000 and 2005. By general consensus, the audit committee approved the Annual Audit Report for 2005.

III. Miscellaneous

- A. May 2006 Audit Committee Meeting Date – The next audit committee meeting will be held on Wednesday, May 17, 2006 at 10:30am in the NDPERS Conference room, Wells Fargo Bank Building.
- B. Publications – A copy of the September 2005 issue of Tone at the Top was included in the audit committee materials.
- C. Confidential Meeting Between Audit Committee and Auditors – The standards for the Professional Practice of Internal Auditors Practice Advisory 1110-1 on Independence and Objectivity states, in part: “the auditor should have direct communications with the board. Regular communication with the board helps assure independence....” Also, the charter states “The Audit Committee shall have direct communication with the Internal Auditor, have the Internal Auditor attend all meetings... and meet privately with the Internal Auditor at least annually.”

The meeting between the audit committee and the internal audit division took place at the February 15, 2006 meeting. The following items were discussed:

- 1) Staffing
- 2) Cross training
- 3) Software
- 4) Internal Audit Division
- 5) Quality Assurance Review

The meeting adjourned at 11:27 a.m.